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Post-War Foreign Exchange Stabilization Further Considered

A Discussion Of The Revised White Plan, Britain's Blocked Balances, And The Post-War International Investment Bank—The Author's Constructive Program Of Post-War Currency And Financial Reconstruction

By BENJAMIN M. ANDERSON, Ph.D.

(Dr. Anderson is Professor of Economics at the University of California, Los Angeles. He was formerly Economist of The Chase National Bank of the City of New York. He is Consulting Economist of the Capital Research Co., Los Angeles; is a member of the Executive Committee of the Economists' National Committee on Monetary Policy, and is a member of the Post-War Committee of the California Commission on Interstate Cooperation.—Editor.)

Benj. M. Anderson

I welcome the invitation of the "Commercial and Financial Chronicle" to renew the discussion of the British and American Treasury proposals for post-war foreign exchange stabilization in the light of the revised plan issued by the U. S. Treasury on July 10, 1943, and the U. S. Treasury plan for an international investment bank issued on Oct. 8, 1943 and to elaborate my own alternative constructive proposals for financial and currency stabilization in the war-stricken countries.

The criticisms which I made of the Keynes and White plans in my address before the Los Angeles Chamber of Commerce[1] on May 11 in general still stand. There are, however, some changes in the new version of the White Plan which call for discussion.

Unitas Deposits

The original plan had provided for the deposit of gold with the International Stabilization Fund, creating Unitas deposits against which 100% gold reserves should be held, and had provided that a 100% gold reserve should be held against all Unitas deposits. I had objected that Unitas deposits would also arise whenever the Fund gave credit on its books as it purchased for-

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[1] This address was printed in full in two installments of the *Commercial and Financial Chronicle* of May 20 and May 27. It appears in *The Economic Bulletin* issued by the Capital Research Company of Los Angeles of May 11, 1943, and was re-printed by the Economists' National Committee on Monetary Policy, 70 Fifth Avenue, New York City. It appears in full in *Vital Speeches* of June 1, and in the May issue of the *Bankers' Magazine* (Boston). It is assumed for the purposes of this article that the reader is familiar with the British and American plans, and that it is not necessary for Dr. Anderson to repeat what he said in his original discussion.—Editor.

(Continued on page 2424)

The Critical Period Of Transition After V-Day

Fennelly Holds Accumulated Purchasing Power A Serious Inflationary Danger Unless Production Is Speedily Increased To Satisfy Demand — Visualizes Post-War Price Level 50% Above 1940 And Value Of Gross National Product 140 Billions Making Tax Yield Of $20 Billions Based On Existing Tax Structure

Characterizing as a "highly dangerous fallacy" the assumption by many of our statesmen and business leaders "that we shall have a fairly easy period of transition between the defeat of Hitler and the final crushing of Japan," John F. Fennelly, Executive Director of the Committee for Economic Development, in an address in New York before the American Society of Mechanical Engineers, declared that "we shall face a critical period of transition as soon as Hitler throws in the sponge, and we must make our plans accordingly." The title of Mr. Fennelly's address, delivered on Nov. 30, was "The Critical Period of Transition After V-Day" and he stated therein that "army experts now estimate that, after the end of the European war, we may be forced to cut back our munitions production by approximately 80% and still have enough to fight a full-scale war against Japan." Mr. Fennelly indicated that practically every specific post-war

John F. Fennelly

(Continued on page 2434)

Restoration Of American Freedom Pattern For World Liberty: Bricker

Says America Must Return To System Of Government By Representatives Of People Rather Than Bureaucracy To Remain Force For World Good.

Asserting that the nation "must meet a threefold challenge beyond winning the war," Gov. John W. Bricker of Ohio, on Dec. 11, cited, as first, the devotion of all our ability toward establishing "a just and lasting peace in the world"; second, the setting free of America "from economic and political totalitarianism" and, third, the lifting "ever higher of the moral and spiritual standards of our people." Governor Bricker outlined these aims at the Waldorf-Astoria Hotel, where he spoke at the annual dinner of the Pennsylvania Society of New York.

John W. Bricker

In making the statement before the gathering that "we must move forward with the confidence that the American people will work in

(Continued on page 2438)

In This Issue

Special material and items of interest with reference to dealer activities in the States of Connecticut, Michigan and Missouri appear in this issue.

For Connecticut see page 2419; Michigan, 2420; and Missouri on page 2418.

General index on page 2444.

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Forecasting The Management Problems Of 1944

Leo M. Cherne Sees Spectre Of 4 Million Unemployed At End Of 1944 Challenge To Management As Continued Large-Scale Unemployment Would No Longer Be Accepted As Inescapable—Holds Anti-Inflationary Dam Will Be Breached Early Next Year And Effect Will Be Echoed In Political Arena.

In summarizing events which, in his opinion, will occur next year and which "will form the backdrop against which American business management will be called upon to perform its responsible tasks," Leo M. Cherne pointed out on Dec. 4 that "first, the only event that will happen with certainty in 1944 is the election in November; second, less likely, but highly probable, is the defeat of Germany, and third, the inflationary spiral will get into motion again shortly after New Year." Mr. Cherne, who is Executive Secretary of the Research Institute of America, brought out these and other events likely to transpire in the coming year, in an address, "Forecasting the Management Problems of 1944," before the Society for the Advancement of Management national conference at the Waldorf-Astoria, in New York. He also advanced among other views that "manpower and womanpower shortage will grow in intensity during the first half of the year, but will lessen perceptibly during the second six months." In summary, said Mr. Cherne, "1944 promises to be a year in which we shall witness the defeat of Germany, the revival of economic frictions, and a widening gap between the legislative and executive branches of our Government."

Leo. M. Cherne

Making the statement that "the spectre of 4,000,000 unemployed at the end of 1944—the estimate of the Research Institute—will not

(Continued on page 2432)

Folger Says Investment Banking Business Has Benefited By Decentralization

Investment banking has grown less "global" and more down-to-earth because of a decentralization that has occurred in recent years, according to J. Clifford Folger, President of the Investment Bankers Association of America, speaking before the Bond Club of Philadelphia last night (Dec. 15).

"Out of this change has come," Mr. Folger said, "a more personalized and wholesome system of distributing securities, one where the customer-banker relationship is more direct and, therefore, more salutary. Our business has become more like that of the average merchant, possibly less glamorous. On the whole, our machinery for distributing securities is a sound one—one to be stimulated." In this connection, he laid emphasis on the need of the business being sufficiently profitable to attract ambitions and energetic young men, in order that it will be adequately staffed. "Business regulated to the bone," he said, "is not necessarily the ideal goal."

John Clifford Folger

Describing investment banking as a business which traditionally suffers in war time, the IBA President pictured it as occupying a strategic and vital position in the post-war period. "There is a tremendous amount of money being dammed back awaiting opportunity to be put to use," he said.

(Continued on page 2437)

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Lazard Freres & Co. Announce Contemplated Partnership Changes

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announce the following contemplated changes in their firm:

Frank Altschul will retire from partnership as of Dec. 31, 1943. He will continue his membership in the New York Stock Exchange, and will continue as President of General American Investors Company, Inc.

Pierre David-Weill and Andre Meyer, resident in New York, and members of the firm of Lazard Freres & Cie., France, a continuing partner of the New York firm, will be admitted as resident partners.

William Howard Schubart, senior Vice President of the Bank of the Manhattan Company and Albert J. Hettinger, Jr., Vice President of General American Investors Company, Inc., will be admitted to partnership on the same date.

Goodbody Co. To Admit Two New Partners

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, will admit Howard Froelick and Arthur F. Hetherington, a member of the Stock Exchange, to limited partnership in the firm as of Jan. 1, 1944. Both were partners in De Coppet & Doremus for many years.

Spencer Trask & Co. To Admit Partners

Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange and other leading Exchanges, will admit Charles F. Bryan, Harold H. Cook, B. C. Eustis, and Anton H. Rice, Jr. to partnership in the firm on Jan. 2, 1944. Mr. Bryan has been with the firm as manager of the bond department. Mr. Cook is public utility analyst for Spencer Trask & Co.

Insurance Stock Attractive

The current situation in Great American Insurance Co. offers attractive possibilities, according to a detailed circular on the company prepared by Butler-Huff & Co. of California, 210 West 7th St., Los Angeles, Calif. Copies of this circular may be had from the firm on request.

Brill Corp. Looks Good

The 7% cumulative preferred stock of Brill Corporation offers attractive possibilities, according to an interesting memorandum issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum will be sent upon request by Buckley Brothers.

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Recent Developments In Seaboard Reorganization

Frederick M. Stern, member of the New York Stock Exchange, with offices at E. F. Hutton & Co., 61 Broadway, New York City, has prepared a memorandum on "Recent Developments in Seaboard Reorganization." The report discusses the court-approved compromise plan of reorganization and concludes that "the most interesting prospects for price appreciation seem to be offered in the Seaboard General Mortgage issues and particularly Consolidated 6s of 1945 which enjoy the most active market." Copies of this interesting memorandum may be obtained from Mr. Stern upon request.

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Hughes Decision Stuns Dealers

Small And Large Dealers Alike Are Astounded As Worst Interpretation Of NASD 5% Decree Is Now Made Possible.

As Snuffy Smith would say, "now the rag is off the bush." In the Charles Hughes & Co. case the SEC, in an attempt to prove to the U. S. Circuit Court of Appeals in this District that it was justified in revoking the dealer-broker registration for marking up securities on the average by 25%, pointed out that an NASD Business Conduct Committee had fined a member dealer $500 for making a practice of marking up securities by only approximately 10%.

The Commission contended that when the Hughes firm sold securities substantially above the prevailing market price without disclosure of the mark-up to the customer, such practice constituted fraud and deceit upon the customer. Now the way the SEC is attempting to show that a dealer's mark-up practices do not have a reasonable relationship to the current market price is to establish the fact that the "custom of the trade" is to go in for smaller mark-ups. Hence the Commission's citation of the disciplinary action of an NASD Committee in a 10% mark-up case. The Court affirmed the Commission's order revoking Hughes & Co.'s dealer-broker registration and in its opinion made reference to this citation. (Full opinion of Court appears in this issue, starting on page 2418.)

If today under the 5% profit limitation decree a dealer should be disciplined by an NASD Business Conduct Committee for marking up securities by 6% you may be sure the SEC will seize upon such action as indicating that the mark-up practice of the industry is then such as to place a dealer in a position where he can be held to have acted in a fraudulent manner if he marks up securities by as much as 6% and fails to disclose just what the mark-up is to the customer.

This opens up the whole question as to the point at which a dealer on a non-disclosure of mark-up basis should

(Continued on page 2441)

More Dealer Comments On NASD Rule

DEALER NO. 88

I have been reading, with a great deal of interest, recent editorials and comments by dealers regarding limitation of security dealers in NASD at 5%. At the moment this does not affect me because I am no longer a member of NASD, having resigned in protest about a year ago when they tried to force down the throats of the Association a ruling requiring all brokers to have a minimum capital of $5,000—thanks to your efforts this ruling was rescinded.

The immediate plan for limtation of profits will affect me in the long run. Because, if this rule stands, the SEC will make it mandatory upon all security dealers. I have shown to Congressman T. G. Burch the December 2nd issue of the "Commercial & Financial Chronicle." He stated that if I could find out for him the proper authorites in Washington to contact regarding this he would do what

(Continued on page 2421)

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Jobs And Taxes

J. Cheever Cowdin Stresses Essentiality of Balancing Federal Budget to Insure Sound Post-War Economy and Proposes War Refunding Tax to Service and Refund $300 Billion Debt Over Next 100 Years—Offers Suggestions For Simplification of Tax System and Advocates Special Tax Incentive to Encourage Production.

Looks For National Income Of $125 Billion And Pleads For Post-War Federal, State And Local Budget of $30 Billion—Holds Vital Need Is For Venture Capital And Reasonable Dividends Thereon—Present Plight Of Stockholders Is Distressing.

A three-point program covering overhauling of the tax structure, balancing of the Federal budget and refunding of the war debt was declared essential on Dec. 10 by J. Cheever Cowdin, Chairman of the Universal Pictures Co., Inc., if business is to accomplish many of the problems facing post-war America.

J. Cheever Cowden

Before the National Association of Manufacturers' convention in New York City, Mr. Cowdin, in proposing this program, stated that the future of American business and American government must be based on vital, all-important production, which is the crux of the problem of jobs.

Calling on businessmen of America to take the leadership in the post-war program, Mr. Cowdin warned that, unless this is done, the country is liable to have "greater regimentation, a larger dole system, nationalization of industry and a more serious depression than we have dreamed of in the past."

Mr. Cowdin, who is Chairman of the NAM Government Finance Committee, said that the "greatest single deterrent to free competitive enterprise, to sound business economy, to production and therefore to jobs, is taxes" and urged that the present "vicious and socially harmful" system be simplified as the first step in building a sound post-war tax program.

(Continued on page 2430)

STRIKE THREE!

Future of Average Over-The-Counter Dealer Jeopardized —SEC Gets Disclosure Rule

By A. M. METZ and E. A. KOLE*

The United States Circuit Court of Appeals for the Second Circuit has just handed down a decision, which in the opinion of the writers, will be used by the Securities and Exchange Commission to exercise and to justify a more rigid "supervision" of security dealers than ever before, a supervision which will mark the gradual demise of the small over-the-counter dealer.

The issues arose in the case of Charles Hughes & Co., Inc., petitioner, against The Securities and Exchange Commission, respondent, and involved the review of an order of

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**Editor's Note*—Messrs. A. M. Metz and E. A. Kole are members of the New York Bar and have successfully defended litigation involving "market price" and "mark-up" practices.

(Continued on page 2440)

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The Market Outlook

It's smart to be bearish. Most of the services we see are hedging for all they are worth (although some of them in our opinion are not worth very much). Floor traders are deeply concerned over lack of bids (and hence are not bidding). Tax sellers are generally planning to hold their cash for that condition known as "a safe buying level." The same people who only a few months ago were forecasting a post-war boom that would eclipse anything yet seen to statisticians, are guessing now how many millions will be unemployed, how low the Federal Reserve Index will drop, and how thin the corporate profit margin will be squeezed.

We do not have a crystal glass. In fact, we do not even have an infallible chart system. But we are surprised that more attention has not been given to the changed political situation and the extreme likelihood that the basic tax conception will change with it. Every industrialist with whom we have discussed the subject agrees that the present system is basically unfair, that the equivalent in money could be raised by shifting a major part of the tax burden from corporations to stockholders and adoption of a form of incentive taxation . . . a reduction in excess profits taxation seems certain in any event.

It's time for a New Deal and we think there will be a New Deal. That alone makes us say, "Caution, Mr. Bruin," entirely apart from such considerations as: the market is discounting peace and never discounts the same thing twice . . . the huge reservoir of capital awaiting the "proper buying level" will miss out and buy higher, as surely as later it will miss the "proper selling level" and sell lower . . . there is no urgent incentive to convert equities to cash . . . the whole psychology of the country is to use cash . . . every conceivable bearish fact has been thought of and discussed and the market remains comfortable above its lows for the year.

Perhaps the most convincing of all bull arguments is that every bear to whom we have talked is nevertheless trying to guess the "buying level." Their predictions range from 125 Dow Jones to 90. Not a one of them has said it will be at least several years (or never) before stocks are a safe buy. And we think a person should be that bearish before he can properly run the risk of withdrawing from common stocks at this critical and confusing juncture in the affairs of the world. For the stock market, unfortunately, is never that easy to interpret.—Washington Dodge in Arthur Wiesenberger & Co.'s "Notes and Comments."

Pittsburgh Bond Club To Hold Xmas Luncheon

PITTSBURGH, PA.—The Bond Club of Pittsburgh announces their annual Christmas luncheon to be held at the Duquesne Club on Saturday, Dec. 18, at 12:30 p.m. Guest speaker will be Dean N. R. H. Moor.

There is no charge for members; guests $4.00. Reservations should be made promptly with H. S. Parker of Kay, Richards & Company.

Day Appointed V.-P. Of Chicago Exch.

CHICAGO, ILL. — Harry M. Payne, Chairman of the Board of Governors of the Chicago Stock Exchange, announced that the Board had approved the appointment of James E. Day of Chicago to the office of Vice-President of the Exchange.

Mr. Day recently resigned as President of the firm of Ryan-Nichols & Co., Chicago, to accept the office. He helped form the firm in 1939 becoming its Vice-President, and in 1941 became President. He has been in the investment business for seven years on LaSalle Street and for five years was engaged in bank relations work in the Middle West.

He will assume his new position on or about Jan. 1, 1944.

L. M. Totten Is Now Masterson Partner

Leonard M. Totten, member of the New York Curb Exchange, has become a parnter in Frank C. Masterson & Co., 64 Wall Street, New York City, New York Curb members. Mr. Totten was previously active as an individual Curb floor broker.

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"They'll Miss Mr. Buckley . . ."

E. Buckley Lewis Jr. has resigned as executive vice-president of the Pioneer Ice Cream division of Borden Company due to ill health. Vice-Presidents Harry Fauerbach, Harold Miller, Alfred Ricciardi and Joseph Reydel Jr. will assume his duties. — *From Business Notes in the New York Times of Dec. 10.*

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

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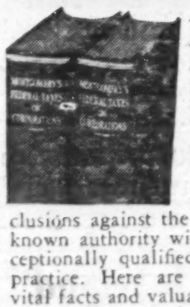

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Railroads Have A Great Future

But They Must Go Out To Meet It, Speaker On Post-War Railway Equipment Tells Engineers

"There is a great future for the railroads, but they must go out to meet it," said William I. Cantley, mechanical engineer, of the Association of American Railroads, Chicago, in an address at the annual meeting of the American Society of Mechanical Engineers in New York early this month on "Post-War Research Possibilities in Railway Equipment."

W. I. Cantley

"There are unlimited fields to work in after the war," said Mr. Cantley, associated for six years with the mechanical research office of the Association. "While progress has been slowed down during this difficult period, research has been continuing. Out of this, new materials and ideas are going to develop; new transportation policies will emerge to take care of changed needs and tastes; new alliances will be formed; some of our old customs must go."

Mr. Cantley foresees further reduction in weight of rolling stock, but warned against over-optimism because of the operating problems involved.

He advocated a central research and testing laboratory owned, operated and controlled by the railroads and said that such a plant would have a beneficial effect on all associated industries.

Continuing, Mr. Cantley said:

Unjust Criticism

"In the light of all the criticisms directed toward the railroad industry for many years concerning their alleged lack of research and initiative, it seems as though people refuse to understand that the railroads have only one commodity to sell—transportation. It has been our custom to purchase on the open market the thousands upon thousands of items necessary for the complete railroad system, relying upon the ingenuity of competitive business, guided by the demands of the individual needs of the railroads, to keep us abreast of new developments in materials and equipment.

Safety Is First Aim

"We have not done so bad in spite of the handicaps inherent in an industry of such great size and in which the first consideration of all is the safety of the passengers and cargo entrusted to our care. This factor of safety always has been, and always will be a brake on any efforts to bring about quick, radical, or spectacular changes in railroad equipment, no matter how great the popular appeal of such changes might be. Inventors and the public sometimes become impatient with our caution in adopting new devices, but they should try to understand that the industry in its entirety feels it is better to be safe than sorry.

"This does not mean new products, new materials, or progressive ideas are disregarded. In spite of what some people say the railroads have always, individually and collectively, worked quietly and tirelessly to improve their equipment whenever it was possible to do so. They have always engaged in applied research, which is the type of research best suited to the needs and facilities of the railroad industry. In this field we investigate, test, and check products already in use, or new ones submitted for investigation.

Competition Spurs Improvements

"The demands of the railroads for new and improved products, together with the keen competition inherent in free enterprise, have kept the manufacturers on the alert. We expect them to continue in this frame of mind, but if we feel they are lagging, or taking advantage of some situation within the industry to the extent where progress has become stagnated, we have in the past, and shall continue in the future, to correct such a condition through basic research within the industry until the condition has been corrected. In such matters the entire railroad industry must act in unison, as it often does in problems passing through the Association. It is well, however, to bear in mind the limitations of the Association with regard to research. Essentially it is a clearing house of railroad problems and as such, is often called upon to undertake a research project that may last for years. Such a project is exemplified in our passenger car axle investigation, now in its sixth year.

"Scope for research actually covers a tremendous field. So many pieces of equipment are involved in the operation of a railroad that there is an endless chain of problems arising, improvements to be made, changes in basic design, new equipment and designs to be considered and tested. There is nothing spectacular in this type of research, which has been one of the reasons for much unfavorable criticism, but it is necessary and will always be a part of the gigantic effort called the railroad industry.

Lighter and Stronger Materials

"Progress has been somewhat retarded during the war period because of our inability to secure certain materials and as a result some phases of locomotive and car construction have remained static, but this is a temporary condition which we hope will soon be alleviated. In the meantime, planning and development are being carried forward and as soon as it becomes possible to do so, the use of higher grades of steel and various alloys will be greatly extended and entirely new applications of lighter weight and stronger materials will enter all fields of railroad construction.

Locomotive Improvements

"A question frequently asked is 'How much can we reduce the weight of locomotives and what would be gained?' There can be no stock answer to this, as the weight must be based upon the necessary tractive effort for the work it is required to do, coupled with the restrictions imposed by the type of roadbed and bridges over which it must operate. Under good working conditions and with heavy traffic to be hauled there is not much to be gained by a reduction in weight. However, where it is necessary to run locomotives on a weight-limit basis, where the capacity of bridges and roadbed limit the weight of the engine, much can be done in reducing dead weight through the use of alloy steel, as well as by using a better grade of steel.

"With present-day equipment we must retain weight where possible so as to achieve the necessary factor of adhesion which establishes the weight on drivers. It is expected that the use of light-weight cars, both freight and pas-

(Continued on page 2436)

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Members St. Louis Stock Exchange

With John Nordman Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**William R. Humphrey** has become connected with **John Nordman Company**, 3615 Olive Street. Mr. Humphrey previously was with the War Department Corps of Engineers Real Estate Branch, Washington, D. C.

Missouri Brevities

During recent weeks the principal topic of conversation among Missouri dealers has been the 5% Profit Limitation Ruling of the National Association of Securities Dealers. One organization canvassed its members and found a surprising uniformity of opinion. Almost without exception the dealers were resentful toward the governors of the NASD for having issued the ruling without polling the membership on such an important and vital matter. The NASD was further criticized for not holding conventions at which the members would have an opportunity to discuss the problems confronting the association from time to time.

The opposition to the Profit Limitation Rule is practically unanimous in this district, varying only in the individual reasoning. For instance: Most of the smaller dealers and particularly those located outside of the largest trading centers are opposed to the percentage of profit allowed and point out that in most cases 5% would not provide a fair remuneration for the service rendered nor permit profitable operation. Others point out that the rule makes no differentiation for the size of the order, the amount of work involved on the individual transaction or the price of the security being handled. Some expressed amazement that the NASD calculated the 5% against the dealer's cost and likewise against the bid side of the market where a dealer had a position, particularly since this previously unheard of method of calculation of a commission was not stipulated in the NASD ruling. Others pointed out that there was no such thing as a "riskless' transaction and cited instances of customers reneging on commitments, leaving the dealer hooked with an unexpected long position.

One chap remarked on the opposite activities of the right and left hands of the Government with the comment that the Attorney General's office was actively engaged in breaking up monopolies while the Securities and Exchange Commission was abetting and encouraging the practises of monopolies, especially in forcing a dealer to belong to the NASD in order to obtain a participation in new underwritings and again through assent to the NASD's nonflexible Profit Limitation rule.

Some of the deeper thinking individuals expressed fear of the consequences to the industry in general. They mention that the little known, closely held stock or bond, particularly the obligation of a small company, does not enjoy a ready-made market. Some dealer has to spend time and money delving into the company's position and prospects or locating a buyer or seller. The character of the security is not conducive to purchase for position or short-selling by the dealer. Hence an ultimate trade is usually the result of an order against an option and would appear on the dealer's records as a "riskless" transaction. But if the profit which can be obtained is not commensurate with the time, effort and money sent and if it does not vary in proportion to the sum of these 3 items, dealers will refuse to handle securities of this type. Unwillingness of a legitimate dealer to develop a market for a security would defeat the purposes of the Securities Act by robbing the stockholder of a market away from the Corporation officials. It would further prevent the development of a market sufficiently broad to enable a growing corporation to meet the requirements for listing on a national securities exchange except through the sale of a large block of stock by an underwriter. But to what dealers could this underwriter look for his secondary market? Any legislation which tends to destroy the normal function of one section of an industry is bound to have its adverse effect upon all other sections of that industry.

Several dealers stated that the article by A. M. Sakolski in the Dec. 9 issue of the "Commercial and Financial Chronicle" expressed their sentiments in better words than they could use. Most of those contacted seemed loath to write their local NASD or the National Board of Governors for fear of reprisal. This attitude seems to be a mistake because there is no other way for the local directors of the NASD to learn the feeling of the local members and pass it on to the Board of Governors of the National Association.

Another topic of conversation among dealers in St. Louis was the action of Ely-Walker Dry Goods Company common stock since its delisting from the St. Louis Stock Exchange. The last sale prior to the delisting on November 10th was at 28. Since that time several St. Louis dealers have prepared descriptions and have advertised a sponsorship of the stock. As a result it has advanced to 35½ bid under active trading, a new high since 1929. This price would appear to more truly reflect the earnings and dividend record and high Net Quick Asset Value (over $46.00 a share) of this stock. Incidentally, buying inquiries are reported to have been received from many parts of the United States.

Demand among local investors has held up exceptionally well, with greatest interest showing in Associated Gas & Electric bonds; Southwestern Public Service; York Corporation; Hearst Consolidated Publications stocks; bonds and stocks of coal companies like Peabody, Old Ben and Chicago, Wilmington & Fraklin and St. Louis, Chicago and Kansas City tractions. Other favorite stocks have been Missouri-Kansas Pipe Line, Panhandle Eastern Pipe Line, Boston & Albany RR. and Marathon Paper Mills. There has likewise been a good demand for many high grade and several discount preferred stocks. Some salesmen have noted that customers they haven't been able to see have been showing up voluntarily with funds for investment.

Interesting Rail Data

Under the amended St. Paul compromise plan approved by the ICC, St. Paul generals, Milwaukee & Northern Consolidated 4½s, and St. Paul 50-year 5s of 1975 offer attractive situations according to a detailed memorandum issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum and a circular discussing the attractions of Texas & Pacific Railway Company Ref. 5s may be had from Vilas & Hickey. Also available on request is a general discussion of railroad trends in October.

Joins Barrett-Herrick Co.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**George T. Scott** has been added to the staff of **Barrett Herrick & Company, Inc.,** 1012 Baltimore Ave.

Kelly Joins Lamson Bros.

(Special to The Financial Chronicle)

KANSAS CITY, MO. — **Joseph L. Kelly,** for many years with Lamson Bros. & Co., has become affiliated with **H. O. Peet & Company,** 23 West Tenth St.

Schroder Banking Corp. Elects Schumann Asst. Sec.

George R. Schumann has been elected assistant secretary of the J. Henry Schroder Banking Corporation, 46 William Street, New York City.

Full Text Of Opinion Of U. S. Circuit Court Of Appeals In Case Of Hughes Vs. SEC

Court Holds Dealer Committed Fraud In Mark-Up Case —Cites Action Taken By NASD Business Conduct Committee Involving 10% Mark-Up And Illinois Circuit Court Judgment Sustaining Revocation Of Dealer's Registration In 25% Mark-Up Case.

We give below in its entirety the decision handed down on Dec. 10 by the U. S. Circuit Court of Appeals, wherein the Court upheld the action of the Securities and Exchange Commission in revoking the registration statement of Charles Hughes & Co., Inc., as a broker or dealer under the Securities Exchange Act of 1934.

UNITED STATES CIRCUIT COURT OF APPEALS
For the Second Circuit

No. 154—October Term, 1943.
(Argued November 18, 1943 Decided December 10, 1943.)

CHARLES HUGHES & COMPANY, INC.,
Petitioner,
—*v.*—
SECURITIES AND EXCHANGE COMMISSION,
Respondent.

Before:
AUGUSTUS N. HAND, CHASE, and CLARK,
Circuit Judges.

Petition to Review an Order of the Securities and Exchange Commission.

Petition by Charles Hughes & Company, Inc., to review an order of the Securities and Exchange Commission revoking the petitioner's registration as a broker or dealer under the Securities Exchange Act of 1934. Order affirmed.

DAVID V. CAHILL, of New York City (Murray R. Spies, of New York City, on the brief), for petitioner.

MILTON V. FREEMAN, Asst. Sol., Securities and Exchange Commission, of Philadelphia, Pa. (John F. Davis, Sol., Olga M. Steig, Asst. Dir., Trading and Exchange Division, Orrin C. Knudsen, Counsel, Trading and Exchange Division, and Irving J. Galpeer, Aaron Levy, and Alfred Hill, Attys., Securities and Exchange Commission, all of Philadelphia, Pa., on the brief), for respondent.

CLARK, *Circuit Judge:*

This is a petition, pursuant to §25 (a) of the Securities Exchange Act of 1934, 15 U. S. C. A. §78y (a), to review an order of the Securi-

(Continued on page 2428)

Tomorrow's Markets Walter Whyte Says—

Further strength anticipated followed by reaction of about three to four points. On such set-back I think stocks below are a buy.

By WALTER WHYTE

During the past seven days the market had a few choice bits of news to chew on. The conferences at Cairo and Teheran were naturally the piece de resistance but the developments at home were not far behind. From the action of more than just a handful of stocks it was obvious that the developments were not unfavorable. The implications of these conferences, however, are too far-reaching to be gone into here.

* * *

Well, in the past two weeks we have seen the averages hit a low of 129 and a high fraction followed by a rally which carried them to across 135. In the last few days a feeling of optimism, always latent, has revived and the opinions that the market is now going up again are again coming to the fore. The fact of the matter is, however, that the advance of the past two weeks was an anticipatory move based on the news which has since become public. It is not a reflection, as many seem to believe. If that is the case, the market must now be fed by additional news—or anticipate it—before any further move in stock prices can be looked for.

* * *

I believe more and more of this kind of news will occur. But I don't believe the market will start right up from here. On the contrary, from the action of the averages, I look for a little more "up" followed by more "down." Paraphrased into point movements, I look for something like the following: The industrials (now at about 135) will stay at approximately that level for the next few days. This will be followed by a short but rapid advance to about 136-137. At that level it is logical for bullishness to increase. It always does on

(Continued on page 2441)

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Connecticut Brevities

Little interest was displayed in the Connecticut municipal market during the past month. There was a general decline in prices, although an issue of $195,000 Water System Bonds of the Town of Portland sold on Dec. 10 brought 100.81258 and accrued interest for 1.40s. The bonds, dated Dec. 15, 1943, and due $10,000 each Dec. 15, 1944 to 1962, inclusive, and $5,000 on Dec. 15, 1963, were reoffered on a scale ranging from a .50% to a 1.50% basis.

In the short-term category there are two sales of Tax Anticipation Notes scheduled. On Dec. 16, the City of Waterbury will receive bids for $700,000 notes to be dated Dec. 28, 1943, and mature Feb. 5, 1944. On Dec. 20, the Town of Darien will likewise seek bidders for $150,000 notes dated Dec. 22, 1943, and due May 1, 1944.

* * *

While official figures have not yet been released, it is expected that there will be a reduction of some $5,000,000 to $6,000,000 in the grand list of the City of Hartford. Unless substantial savings can be effected in the budget for 1944, it may be necessary to have an increase in the tax rate.

* * *

The Southern New England Telephone Company reports for the first ten months of the year, net income available for dividends of $2,303,538 against $2,579,022, or $5.76 compared with $6.45 a year ago on a per share basis. Total telephone revenue for the month of October showed an increase of 10.6% over a year ago.

* * *

Recent action of the directors of the United Aircraft Corporation has given effect to the promotion of three of its principal officers. Eugene E. Wilson, formerly President, was appointed Vice-Chairman of the corporation. Raycroft Walsh, previously Senior Vice-President, has been made a Vice-Chairman. Former Vice-President in charge of manufacturing and General Manager of the Pratt & Whitney Aircraft Division, H. Mansfield Horner, has been elected President to succeed Eugene E. Wilson.

* * *

According to estimated figures for 1943 submitted to the Federal Court by the Trustees of the New York, New Haven & Hartford Railroad, it is expected that the road will produce the largest gross in its history—$179,604,388. This figure shows an increase of $23,464,195 over last year. After all expenses and taxes, net income will probably be $33,621,599 which shows a 12% increase, or $3,608,755, over 1942. The report shows that taxes will total $26,303,216—an increase of $4,048,040 over a year ago.

It is reported that the War Production Board has directed Remington Arms Company to curtail its small arms production 30% beginning Jan. 1, 1944. It is estimated that this will result in the dismissal of some 2,500 workers.

* * *

Yale & Towne Manufacturing Company, in addition to turning out its regular line of products which are used in the war effort, is now producing special items including pumps for airplane engines, superchargers, cylinders for hydraulic control of airplanes and miscellaneous airplane parts.

* * *

With the payment of a total of $2.25 a share on Dec. 31, Greenwich Water System 6% preferred stock will have cleared up dividend arrears to Oct. 1, 1943. As of Jan. 3, 1944, total arrearages per share will be 75c.

* * *

Recent dividend declarations in the insurance field show the following extra payments: Aetna Life Insurance, 20¢ on Jan. 3, 1944; Aetna Casualty, $1 on Jan. 3; Automobile Insurance 40¢ on Jan. 3; and Phoenix Insurance $1 a share on Jan. 3. Extra payments scheduled on industrial stocks include: New Britain Machine 50¢ payable Dec. 18, and American Hardware, 25¢ on Dec. 18.

A year end payment of 75¢ on North & Judd Company stock brings the total dividend for the year to $2.50, which is 50¢ less than that paid in 1942.

Colt's Patent Fire Arms Manufacturing Company likewise shows a lower dividend for the current year. The payment of $1.25 on Dec. 18, makes a total of $3.50 against $5 paid in 1942.

Arrow-Hart & Hegeman Electric Company's dividend payment is off 25¢ from a year ago. After a final payment of $1.25, this year's total will be $2.75 a share against $3 paid the previous year.

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Toronto Bond Traders Elect New Officers

TORONTO, ONT., CANADA—At the Annual Meeting of the Toronto Bond Traders Association, held at the King Edward Hotel on Nov. 25 last, the following Executive Committee was elected, for the 1943-1944 year:

President: George Rose, Goulding, Rose & Co., Ltd.

Vice-President: L. M. Wightman, Fairclough & Company.

Secretary: W. E. Parker, Dominion Securities Corp., Ltd.

Committee: D. K. Cassels, Cochran Murray & Co., Ltd.; T. H. Baker, A. M. Ramsay & Company; S. Cox, J. R. Meggeson & Co., Ltd.; R. A. Webster, Royal Bank of Canada; L. L. Bell, James Richardson & Sons; R. P. Howard, Gairdner & Company, Ltd.

Clark Electronics Shares Offered

J. F. Reilly & Co. are offering a new issue of 33,333 shares of common stock of the Clark Electronics & Aviation Corp. at $3.00 per share. The stock is of $1.00 par value. The corporation produces commercially various products in the general field of radio and aviation.

Situation Interesting

A. W. Benkert & Company, Inc., 70 Pine Street, New York City, have prepared an analysis of the Illinois Central Railroad Company. Copies of this interesting study may be had from the firm upon request.

Markets for Dealers in:
Aetna Life New Britain Mach.
Am. Hardware Russell Mfg. Co.
Landers Scovill Mfg. Co.
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Real Estate Securities

Demand For Office Space In New York City Rental Rates Being Increased

Rental conditions, from an owner's standpoint, which in turn must react to the benefit of real estate security owners, have improved greatly in the last year, to a point where many properties are close to 100% rented.

A survey made of several buildings and discussion with various managing agents reveals the fact that on renewals tenants were being asked from 10% to 20% more and that in many cases an even larger increase could be secured from new tenants.

In mid-town New York, there is very little space available and it is decidedly an owners' market. While it has been true that operating costs have risen since 1942, it is the general belief that they have become stabilized and that from this point on increased rental rates would be reflected to the benefit of the property.

In recent years, most properties have operated on the basis of short term leases and the wisdom of this policy will be reflected in the opportunity owners will now have in effecting increases on a larger ratio of renewals.

It would seem to be a logical conclusion that increased net available income from the operation of a property must have a favorable effect upon the outstanding first mortgage securities which it secures. In many of the reorganization indentures, provision is made for fixed or income interest up to a certain percentage, providing for surplus earnings above the determined interest distribution being used as a sinking fund for purchase and retirement of bonds.

The difference that a 10% increase in rental rates can mean is easily reflected in the following example of a property that has been making a 4% interest distribution on funded debt and having a small sinking fund operation even though the property has been only about 87% occupied. This property now close to 100% rented should, with the increased occupancy and with the advantage of only a 10% increase in rates, produce about $50,000 more cash available for sinking fund operations. In relation to the outstanding mortgage this increased sinking fund would amount to about 3% and in consequence a favorable market action for the outstanding bonds should be the result.

Many office building securities merit the investigation of those investors looking for attractive yields and appreciation possibilities due to the greatly changed rental situation in New York City.

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Hyde Reviews Profit Possibilities Of Operating Co. Stocks

W. Truslow Hyde, Jr., public utility analyst for Josephthal & Co., addressed the Boston Securities Traders Association last Wednesday. He pointed out the profit possibilities for investors and dealers which will be presented in increasing volume as the stocks of operating companies, now locked in the portfolios of holding companies, are brought onto the market as unknown and unseasoned, but sound investment equities. Reviewing the market record of stocks such as Southwestern Public Service, Houston Lighting, Philadelphia Electric, Puget Sound Power & Light and Idaho Power, Mr. Hyde concluded that, whether the new issues reached the market through underwritings, exchanges or recapitalizations, the initial prices of new operating company stocks would probably reflect investor confusion as to their value in relation to more seasoned issues.

As plans for compliance with the integration provisions of the Holding Company Act progress, he said, dealers will have an increasing number of relatively undervalued stocks to offer their customers, while investors will be afforded opportunities to acquire sound equities at "auction prices."

Utilities On Auction Block

Many utility holding companies have completed the groundwork for compliance with the Holding Company Act; and, as their plans approach consummation, a larger number of new operating company stocks will come onto the market, Josephthal & Co., declares. The profit possibilities for dealers presented by these approaching developments are discussed in a booklet, "Utilities on the Auction Block," which the firm has just issued. Copies may be obtained upon request from Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other exchanges.

Scovill Mfg. Interesting

Charles W. Scranton & Co., 209 Church Street, New Haven, Conn., members of the New York Stock Exchange, have issued an up-to-date appraisal of Scovill Manufacturing Co.'s current and post-war outlook. Copies of this interesting circular may be obtained from Charles W. Scranton & Co. upon request.

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Public Utility Securities

American Power & Light Has New Florida Refunding Plan

American Power & Light has just presented to the SEC a new plan for refunding the bonds and preferred stock of its subsidiary, Florida Power & Light, and readjusting its security holdings in the subsidiary. The plan does not differ a great deal from that of September, 1941, except that a slightly larger amount of bonds will be issued, in lieu of bonds and preferred. Moreover, American will receive $7,000,000 debentures which it can sell at some future date, whereas in the first plan it was to receive nothing but additional stock (mere bookkeeping, since it already had the entire equity) in exchange for cancellation of its holdings of bonds and preferred stocks aggregating $26,347,700 face value.

With the cash received from the sale of new bonds and notes (together with cash on hand) Florida will call for redemption $52,000,000 of 5% bonds and $14,652,300 face value $7 preferred. The plan does not specify coupon rates on the new issues, but assuming that the new mortgage bonds are 3¾s, the serial notes 3s, and the debentures 5s, the aggregate saving in interest and dividends from the refunding and subordination should approximate $3,000,000. However, such additional earnings, combined with other factors, might push the company into the excess profits tax bracket—although loss on call premiums should go far toward reducing such a tax in 1944. Because of the difficulty in appraising taxes, estimated net savings from the plan might vary between $600,000 and $1,800,000.

It has never been clearly understood why the 1941 plan failed to materialize, since the company at that time was apparently willing to accept complete subordination, but possibly Pearl Harbor interfered with the refunding plans. It appears unlikely that a revised version of the plan would be submitted at this time unless there was some assurance of favorable consideration by the SEC—though the holding companies have submitted many plans in the past which failed to enlist SEC approval.

The SEC also has before it a recapitalization plan of American Power & Light to give 90% of new common stock issue to the $5 and $6 preferred stocks and 10% to the common, of which Electric Bond and Share holds 31% (it also has 5% of the $5 preferred and some bonds of subsidiaries). American is in process of retiring its own debenture bond issues ($44,933,000 at the end of last year), and has been granted SEC permission to use about $10,000,000 cash for open market purchases. At first the company was only allowed to pay as high as par and purchases lagged; later it was allowed to raise the price to 106. Since the SEC has been generally opposed to purchases above par, on the theory that bond issues will be retired at 100 in dissolution, the increase to 106 was explained in a rather novel way: the six points were to reimburse holders for loss of a full year's interest (Sept. 1 this year to Sept. 1 next year, the date when dissolution was considered likely to be effected). Accordingly, the amount of interest would decline as the period of time was reduced and American announced that the price would drop ⅛ of a point each week. Regardless of SEC reasoning, this proved a good "bait" so far as investor's psychology was concerned, and bond sales immediately increased as holders visualized a steadily declining market.

American Power & Light has a portfolio of saleable subsidiary bonds (together with some notes and advances) from which the company should be able to realize sufficient cash to complete the repurchase or redemption of its own bonds. While this estimate includes the $7,000,000 debentures to be received from Florida, it is possible that these might not prove necessary should the SEC require complete subordination. Thus, American's stockholdings in its 13 important subsidiaries might eventually be available (to the extent of 90%) for holders of the preferred stocks, if present plans are consummated.

It is a difficult matter to estimate liquidating values of holding company securities because of the tremendous importance of taxes, and Congressional tax policy cannot be successfully forecast. American's earnings, like those of several other large holding companies, have skyrocketed this year due largely to the privilege of returning a consolidated system tax return. For the 12 months ended Sept. 30 consolidated earnings were equal to $10.27 on the preferred stock compared with only $3.83 in the corresponding previous period. Some of this gain will be lost in the 10 months' statement, since in October, 1942, excess tax accruals amounting to $2,700,000 were largely readjusted.

If the stocks of subsidiaries should be turned over to American's stockholders, these companies would lose the tax advantage gained this year, since they could no longer file a consolidated return, and thus some part of the 1943 increase in earnings is fictitious so far as liquidating value is concerned. On the other hand, several companies pay excess profits taxes and it is generally hoped that these taxes may be repealed by Congress after the war, resulting in a saving of at least half the amount (the regular income tax rate would still apply to such income).

There are numerous other factors which make it difficult to gauge liquidating value with any degree of accuracy—prospective plant write-offs and possible rate reductions for several important subsidiaries, questions of public ownership (always an important market factor), the poor capital structure of certain subsidiaries, etc. Recent estimates of potential liquidating value have ranged from 50 (a few points over current market price) to 80. Future SEC action on the two plans now before it may help to narrow the range of these estimates.

With Mercier-McDowell

(Special to The Financial Chronicle)

DETROIT, MICH.—**Charles H. Forsberg** has become associated with **Mercier, McDowell & Dolphyn, Buhl Buiding.** Mr. Forsberg was formerly with C. G. McDonald & Co. and Humphries, Angstrom & Co.

Joins Allman-Moreland

(Special to The Financial Chronicle)

DETROIT, MICH. — **Gladys I. Wade** has been added to the staff of **Allman, Moreland & Co.,** Penobscot Building.

Reuter With Merrill-Lynch

(Special to The Financial Chronicle)

DETROIT, MICH.—**George A. Reuter** has become associated with **Merrill Lynch, Pierce, Fenner & Beane,** Buhl Building. Mr. Reuter was previously with Baker, Simonds & Co. and Palmer, Everham & Co.

Seaboard Reorganzaion Situation Of Interest

Van Tuyl & Abbe, 72 Wall Street, New York City, have issued a circular describing recent developments in respect to the Seaboard Air Line Railway Company reorganization. Copies of this interesting circular may be had from Van Tuyl & Abbe upon request.

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Michigan Brevities

The &250,000,000 VT credit arranged for Chrysler Corporation through the National Bank of Detroit and the Central Hanover Bank and Trust Company is now operative and constitutes the second largest such credit ever arranged, according to an announcement by Walter S. McLucas, chairman of the National Bank of Detroit.

The credit was said to have been subscribed to the extent of $400,000,000 by banks throughou. the country.

* * *

Mr. McLucas, already a director of a number of corporations including Chesapeake & Ohio Railroad and American Airlines, was named a director of Bendix Corporation last week.

* * *

Seven Michigan firms were added to membership rolls of the Investment Banking Association of America this month.

They are: Baker, Simonds & Co.; Bankers Trust Co. of Detroit; Commonwealth Bank, Detroit Trust Co.; Mercier, McDowell & Dolphyn; National Bank of Detroit and William Roney & Co.

* * *

Charles G. Oakman, City Controller of Detroit, accepted offerings of City of Detroit non-callable bonds to the extent of $238,000 last month for the Detroit City sinking fund — street railway division. No bonds maturing beyond May 1, 1949, were accepted.

* * *

In the dividend news were declarations by the Manufacturers National Bank of Detroit amounting to $2 a share, payable Dec. 3 to stock of record Nov. 15, and by the United Savings Bank for 50 cents a share, payable Dec. 20 to stock of record Dec. 10.

* * *

Michigan National Bank of Battle Creek was the successful bidder for the $100,000 worth of tax anticipation notes of the school district of the City of Battle Creek, offered last month.

The successful bid was 1¼%.

Other bids were the Security National Bank, Battle Creek, 1¾%, and the Central National Bank of Battle Creek, 2%.

The Security Traders Association of Detroit and Michigan held its annual winter dinner party on Dec. 1 at the Detroit Leland Hotel.

William H. Duff, senior partner of Duff & Phelps of Chicago, utility consultants, addressed the group on "Public Utility Securities and Their Place In the Investment Field."

Attendance was very satisfactory, Robert R. Stoettzer of Stoettzer & Carr, who was in charge of the reservations, announced following the meeting.

* * *

On a sad note was the revelation by Edwin G. Hoover, chairman of th banking division of the War Finance Committee, that his only son, Gordon Phillips Hoover, Lt. j. g., is missing in action in the South Pacific while on submarine duty.

Ed Hoover, one time First of Michigan Corporation executive, held a similar commission in the last war.

(Continued on page 2437)

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NOTICE TO DEALERS

Many utility holding companies have completed the groundwork for compliance with the Holding Company Act; and, as their plans approach consummation, a large number of new operating company stocks will come onto the market.

The profit possibilities for Dealers presented by these approaching developments are discussed in our booklet

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Hughes Decision Stuns Dealers

(Continued from page 2415)

he could to have this ruling done away with, if the order is as unfair as it appears on the surface. If you wish you may contact him direct and I believe you will find him cooperative.

One thing that amazes me is, in all the comments that you have in your paper 99% of the dealers haven't got the guts to endorse what they write. Any industry or institution that is so spineless because of fear of reprisals doesn't deserve, in my opinion, better treatment. I realize, of course, that SEC can put anybody out of business today or tomorrow if they wish—but what of it? Most of us can make a living doing something else.

In sincere appreciation for your efforts on behalf of the security dealers, I am

Respectfully yours,
JOHN W. YEAMAN.

Martinsville, Va., Dec. 8, 1943.

DEALER NO. 89

Pertinent to status of small dealer in NASD:

"Homer, in the 'Illiad,' Book 1—(800-900 B.C.).

Calchos said: "A plain man cannot stand against the anger of a being who, if he swallow his displeasure now, will yet nurse revenge till he has wreaked it."—A Small Dealer in Midwest.

DEALER NO. 90

I don't see why employees who have been elected to an NASD post should tell us employers how to run our business.

DEALER NO. 91

As a small-town broker, having a limited clientele, I am in full sympathy with your campaign to discourage the bureaucratic experiment of limiting profits of brokers, as inspired by the rather discredited NASD.

As a practical matter, all my transactions are on a disclosed and mutually acceptable basis with my clientele, and presumably as such I am not affected by this latest edict of our All-Highest and his satellites; however, the thought is repugnant to any decent American, and is evidence of the creeping destruction of things American which has been so conspicuous since 1933.

I was once a member of the NASD, solely for the reason that its chief ballyhoo artist upon its formation specifically replied to my question from the floor that only if I joined this parasite organization could I continue to trade with member dealers. When I found I had been taken for a ride I immediately sent in my resignation, as a member in good standing, and resolved that I could find better use for the annual dues than to conitnue feeding and maintaining the smug personnel of this outfit who "toil not neither do they spin" while some of us are still willing to believe that we should render value to the public for our services rendered, without being burdened with a lot of useless barnacles. If anyone can offer any intelligent person any justification for the continued existence of this decadent outfit striving to justify its existence with its membership but a small fraction of the brokers in this country, I am keeping an open mind available to listen to such allegation of its value to the brokerage fraternity or to the general public.

It does not take a student of history to justify the assertion that the patriots in 1775-1776 fought to free themselves from much less in the way of burdensome taxes, bureaucratic offensiveness, etc., etc., than has been patiently accepted by the decent citizens in this Nation during the past decade; if we do not return to principles of free enterprise and the discarding of the myriad of parasites who have fastened themselves upon the Ship of State during the past decade during the coming elections, it is difficult for me as one sole individual to see what is left for any of us, brokers, undertakers, grocers, or any other group.

I am ashamed to ask you to keep my name out of article if used, but my modest livelihood is at stake. and until decency is again in the ascendency in this Nation we small and helpless individuals must remain incognito; God helping us. remaining alert to assert ourselves when able to do so collectively and effectively, I hope.

DEALER NO. 92

I question the wisdom of the NASD in promulgating this rule.

It seems to me that any *gross* abuses that may exist in dealer transactions are really outside of the NASD fold and should be regulated by the SEC who have ample facilities for discovering such irregularities.

I should be inclined to feel that the admittance of an individual or a firm to the NASD would, of itself, be a reasonable endorsement of their integrity, and that therefore there was no sufficient need for the 5% profit edict.

DEALER NO. 93

Just a word to approve of your attitude on the 5% profit limitation matter.

We think that it is best that a small dealer not have his name registered on these matters, however. here is one that will lend his support wherever you think it worthwhile.

Keep the good work up.

DEALER NO. 94

As a Governor of New Jersey stated once years ago, "You can't make laws to govern thieves or put common sense into fools."

DEALER NO. 95

We have read with considerable interest your editorials as well as letters from dealers concerning Attempt to Establish "5% Rule" as a Recognized Practice of Dealers in Securites.

In our opinion it is a crime for our boys and men to fight overseas for democracy and freedom, we mean those boys who were stock and bond salesmen and the men who were in the investment business, and to find on their return that this rule if successfully put over by a small click of members of the New York Stock Exchange and a few highly paid members of NASD who we thought were looking after our interests, but we now find that they are pulling down salaries from the NASD, salaries that we are paying them, and they are trying to put us out of business.

We agree with the letter of Dealer No. 69 that the Board of Governors should send out a questionnaire immediately to the entire membership of the NASD to ascertain whether it does represent the views of the membership. We also feel that if it is found it does not, then the Board of Governors should either rescind their order or resign.

We would be willing to contribute to a fund that would employ a good law firm to carry this matter to the courts if necessary and end this thing for once and all.

No doubt you recall that the NASD about two years ago tried to put over an amendment to the by-laws that dealers must have $5,000 cash in the bank over and above their fixed assets and this $5,000 was to insure the investing public in the event a dealer would abscond with his customer's money. Why didn't these braintrusters think of a surety bond if they really wanted to protect poor investing public—that would really be protection. We are wondering how many lawyers could put $5,000 cash in the bank or any other professional man handling money.

We believe Mr. J. A. White of J. A. White & Co., Cincinnati, in his article in your paper Dec. 2, 1943, really started something and we do hope that other firms with wealth and influence will do the same thing as the more than seventy-two letters that we read in the various issues of "The Commercial & Financial Chronicle" were afraid to sign their names to their letters lest the NASD power boys would be on their necks.

We note that dealer No. 80 stands ready to make an initial contribution of $50.00 toward the organization of any association, and, as previously mentioned, if you could start something in this respect, we would be glad to contribute.

Like Dealer No. 82, we are not strong enough to incur the wrath of the SEC or the NASD and, therefore, request that you keep our name anonymous.

DEALER NO. 96

In my humble opinion, not only the small unlisted securities dealers, but all dealers and brokers in the industry should be grateful to you for the fight you are putting up in their behalf. I say all dealers and brokers because, just as sure as the sun rises and sets, once a 5% profit limitation becomes a fact, it is then only another step to reduce it and continue to reduce it until even those who are left will do well to break even. In additon, this would only be the first step toward extension to other businesses. This profit limitation scheme is nothing more nor less than the twin brother to the salary limitation scheme. In other words, the insidious thing about this business of profit limitation is not the amount of limitation, but, LIMITATION ITSELF.

Some of the letters you have received and published would indicate that their authors did not believe the NASD was actually limiting profit to 5%. Your article on pages 207 and 208 of the December 2nd issue should completely dispel this thought. It also indicates that the author of letter No. 28, written as you stated by a governor of the NASD, might be having the wool pulled over his eyes. To state more clearly I quote from your article on page 208, "Isolated transactions where the mark-up or spread is in excess of 5% MAY warrant only informal inquiry or a precautionary letter, but where practice is established formal complaint procedure is a recommended course" (caps are mine). Note the "MAY warrant only informal inquiry" or "a precautionary letter." In other words, informal inquiry or a precautionary letter is the least that can be expected if the Gestapo catches anyone taking over 5%. Truly, none are so blind as those who will not see.

Personally, I feel that profit limitation imposed upon legitimate business by any association or government bureau is wholly socialistic and entirely and completely un-American. It has no place in the American way of doing things.

Furthermore, I cannot subscribe for one moment to the manner in which this rule was adopted. Why wasn't the membership allowed to vote on this proposition? And by secret ballot, and not as we were ALLOWED to vote on the minimum capital proposition? The method used was most un-democratic to say the least.

The Board of Governors of the NASD surely is an intelligent group of men, and I am sure they have the well-being of the industry at heart. However, it would seem that they too are afraid to make any move contrary to the wishes of the "higher ups" who crack the whip. If this were not true, why, in the past few years have they seemingly done more to antagonize the membership than they have to help it? Off hand, they seem to base their actions on such false premises as—might makes right; size or wealth is the measuring stick of honesty or integrity; that by legislation or rule or edict you can chase the sharp-shooters out of the business. A casual reading of the SEC releases prove the fallacy of such thinking. If they would only put their ears to the ground they would quickly realize these truths. Again I say, none are so blind as those who will not see.

What is being accomplished by this antagonizing, this cracking down on the entire membership just to try to catch a few sharp-shooters? The answer is simple and plain. The membership is dwindling. Members are afraid to write letters such as this, honest criticism, over their signature, for fear of being cracked down upon; they fear and distrust the officers of their own organization. If this were not true, why do nearly all the dealers that write you request that you do not print their names just as I must do? I ask you, isn't this a fine state of affairs, a fine condition to exist in a country such as ours? Such a condition cannot continue to exist, and it will not continue to exist. Jim Farley had the right answer when he was reported to have said, "The people are tired of being kicked around." If anyone doubts this statement just let him look at the results of the recent elections in New York, New Jersey, Philadelphia, Detroit, and two in Kentucky. Wow!!!

We have been members of the NASD since its inception. Our dues are going up each year. In so far as I can see we have not received one bit of benefit from our membership. In so far as I can see, we are just helping an organization to exist that any day may come in and raise the devil with us for almost any reason, real or fancied, not for what we have, or may have done, but for some stupid little thing we failed to do.

It is my opinion, and I am sure the opinion of hundreds of other dealers, that the NASD has utterly failed to represent the industry as such an association should do. That, instead of fighting for the industry as it should, it has become nothing more nor less than a tool of some "higher ups" through which they continue their process of cracking down upon the industry. That, it is entirely unsound in principal to chance the ruining of an industry in which thousands of fine, and I may say above average, people are employed by thousands of reputable, respectable dealers, approximately 2,200 of which are members of the NASD, in order to weed out a handful of sharp-shooters. Hitler's Gestapo will eliminate hundreds of innocent persons in order to get one or two culprits, but that surely is not the American way of doing things.

(Continued on page 2433)

ADVERTISEMENT

NOTE— From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number eleven of a series.

SCHENLEY DISTILLERS CORP.,
NEW YORK

Astronomical Figures

If you had One Billion Two Hundred Million Dollars to spend for the necessities of modern warfare, it would buy — ALL of the following:

Food for a million soldiers for a year;
Oil to run a destroyer a million miles;
A million rounds of ammunition for anti-tank guns;
Ten thousand pursuit planes;
Ten thousand reconnaissance cars;
Ten thousand motor trailers;
Ten thousand radio receiver sets;
Five hundred bombers;
A million parachutes;
A million bombardier kits;
A million steel helmets;
A hundred thousand fragmentation bombs;
A million tents;
A million field telephones;
A million entrenching shovels;
A million First Aid kits.

Of course, if you were running the war you would need all of the above, and you would also need the instrumentality for raising this amount of money, and a great deal more.

Since you and all the rest of us are actually contributing to the astronomical sums which make up the total cost of conducting a war such as we are engaged in, it may not be entirely out of order for us to remind you of a reborn industry that is gratefully playing an important part in the wartime economy of our nation.

We have told you what One Billion Two Hundred Million Dollars will buy—in wartime. In peacetime it buys good roads, school buildings, and provides the funds for eleemosynary institutions, hospitals, etc. That's a lot of useful money.

One Billion Two Hundred Million Dollars is the amount of Federal revenue now produced *annually* by taxation from the sale of alcoholic beverages in the United States. (This is entirely apart from the millions which states and local communities derive from the same source, and spend for maintenance of public works—in war and in peace.) *No other single industry contributes so much, and the sum total is second only to the national income tax.*

And one thought encourages another. It wasn't very long ago when an attempt was made to legislate so-called "morality" into our people. It didn't work, and it never will, among a free people.

But, quite apart from the "moral" question, the revenue produced by our industry is being spent to insure the continuance and preservation of our way of life. During the period of Prohibition, which did not prohibit, untold millions went into the pockets of the bootleggers and their criminal henchmen. Let that never, *never* happen again!

Now, aren't you glad you were among the 73% who voted "yes"—in favor of Repeal?

• • •

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The Prospect for the Stabilization of the Chinese Dollar

By HENRY C. CHEN, Ph. D.

Bank of China, New York Agency

I

China's fight against Japanese aggression has already passed the mark of six long and bloody years. During the past six years she has suffered great losses both in lives and in property. Millions of people have been driven homeless and thousands are starving to death daily for want of food and shelter. This is China at War today.

Henry C. Chen

But behind the grim military resistance of a war-torn China there are many economic problems which are probably not yet sufficiently appreciated by the average observer to form a better judgment of the real hardships that have befallen the people of China. One of these seemingly unspectacular but equally, if not more, important problems is the fight against an insidious inflation which is ravaging the country and is threatening to undermine the morale and economic virility of the people.

The evil effect of this dreadful inflation may be attributed to many different causes. Perhaps the most fundamental factor is the fact that due to the impossibility of diverting the flow of money from the general public to the Government either through adequate taxation or by borrowing to syphon off the excess purchasing power of the people, China in financing her war effort has been forced to resort to the crude, inequitable method of printing money. Thus when the Government is in need of money, all that it has to do is to turn over so much Government obligations to the Central Bank of China which, in turn, issues so much paper notes as "cash" for the bonds thus bought. How much paper money has been issued in this fashion since the outbreak of the present Sino-Japanese war in 1937, is indeed a very difficult question to answer. One estimate[1] puts it at $60 billion in total issued since the Lukouchow incident, and this magnitude may be appreciated by the fact that at present there are approximately fifteen tons of bank notes issued each month to meet the demand for deficit financing.[2]

Today there are many different kinds of currency circulating side by side with one another in China. In the so-called occupied territories there are perhaps more than five or six kinds of notes issued by the Japanese occupation army and its sponsored puppet regimes. How much of each of these has been issued there is indeed no way of determining and it will have to remain unknown at least until the war is over. All we can say at present is that the total amount issued does run into billions.

The situation in unoccupied China, of course, is much better, so far as uniformity is concerned. At the moment there are only two kinds of paper money in circulation which possess legal tender power on a nation-wide basis. They are the yuan, otherwise known as **fapi**, and the recently issued customs gold unit notes whose rate of exchange with the former is legally fixed at one to twenty.[3]

Prior to the outbreak of the war on July 7, 1937, there was about $2 billion of notes in circulation throughout all parts of China except Hongkong, Outer-Mongolia, and the former Three Northeastern Provinces, or Manchuria.[4] If it is assumed that $60 billion is the total amount of notes issued since the outbreak of the war in 1937, then the total amount of money in circulation as of today is $62 billion, or at an average rate of increase of approximately $10 billion per year for the period from July, 1937, to the time of writing (August, 1943). And if the war is to end in 1945, as predicted by Generalissimo Chiang Kai-Shek,[5] and if the present rate of increase in the notes issued is maintained in the next two years, that is, $10 billion per year, then the total note issues from July, 1937 to, say, December, 1945, should be in the neighborhood of $80 billion. This no doubt is not an exact figure, but for our present analysis it may well serve our purpose.

Any one who is familiar with the rudimentary principles of money and banking will readily see that under such circumstances the amount of money in circulation is no longer determined by the need of the business man, but rather by the need of the Government to finance the war, and as soon as this state of affairs is known to the public, the confidence of the people in the value or purchasing power of the currency immediately fades away. What happens next is generally a common flight from the currency into commodities, real estate and whatever things the people think would be appropriate to protect them from the working of the vicious circle — namely, the greater the need for Government deficit financing, the larger becomes the note issue; and the higher the commodity prices due to greater amount of money in circulation, the larger will become the deficit, etc., etc. The following table shows the effect of this situation on the price structure in Chungking as late as November, 1942:

CHUNGKING'S WHOLESALE PRICE OF INDIVIDUAL COMMODITIES, NOV. 22 TO 28, 1942

(January-June, 1937 = 100)

Name of Commodity— Unit:	Price (in NC)	Ratio (a)
Rice, picul	710	52
Flour, bag	170	32
Pork, picul	1,200	54
Vegetable Oil, picul	820	33
Sugar, picul	1,350	66
Salt, picul	390	42
Cotton Cloth, piece	190	25
Cotton, picul	148	75
Coal, metric ton	580	69
Alcohol, gallon	97	95
Wire, picul	4,800	291
Iron Bar, picul	3,800	229
Board, piece	260	871
Blue Dye, case	31,000	127
66% Sulphuric Acid, lb.	14	24
Grey brick, per 10,000	4,150	53
Native Paper, per ream	580	97
Cigarettes, case	1,000	301

(a) Number of times of its rise as compared with its pre-war price.

Source: National General Mobilization Council and the Foreign Department, Bank of China, Chungking, China.

The number of times prices have generally risen in Chungking, and to that extent in all parts of China, is frightening indeed. Various measures have been taken by the National Government to arrest further rises in the price level. But to our distress little effect has been obtained to ameliorate the situation. To begin with, in view of the lack of a sound fiscal policy, further recourse to the use of the printing presses in all probability could not be discontinued if the war effort is to be financed at all. Secondly, due to the occupation of all the maritime provinces and especially the loss of Burma to the Japanese, China's foreign trade is brought practically to a standstill, thus making it well-nigh impossible to import goods from abroad for civilian consumption. It is true that attempts invariably have been made to develop industries in the interior, but because of the lack of capital equipments, skilled labor, essential raw materials, and, above all, a well developed transportation system,[6] it is a foregone conclusion that an integrated economy of relative abundance is an objective hard to strive for under wartime conditions and much therefore cannot be done to relieve the country from the distress of shortages. In addition, though price control measures have been introduced, nevertheless due to administrative inefficiency and inexperience, enforcement of Government regulations is extremely difficult and as a result black markets are rampant everywhere. When coupled with the fact that hoarding and speculation are indulged in not only by private profiteers but also by corrupt government officials, the whole picture of inflation does look very discouraging.

This is an overall picture of China's inflation at the moment, and it shows that China on her domestic front is really facing a serious predicament. Needless to say, on the military front she is still able to fight back the Japanese with ever increasing valor, but it cannot be expected that a nation at war can long endure extreme economic hardships without showing signs of cracking. Perhaps the only solution to the entire problem of arresting a runaway inflation is through the recapture of Burma, thereby making it possible to resume the inflow of foreign goods to relieve the acute shortages which along with the wholesale and indiscriminate issuing of paper money is the crux of the situation facing the country today.

II

Such being the situation there is indeed no question about the necessity of reorganizing the currency system once the war is over.

Any attempt made to bring about a proper alignment of fictitious wealth and real wealth probably will encounter the first question as to how much of the inflated currency is to be withdrawn or contracted before an approximate equilibrium can be established between the amount of currency in circulation or "quantity of money" on the one hand and a normal price level on the other. The concept of the quantity of money in circulation is vague and uncertain, just as the amount of goods and services coming on the market is not easily definable; what is the quantity of money necessary for all types of business transactions within an economy at a given time is something difficult if not impossible to determine. As commonly understood, money consists of bank notes and subsidiary coins circulating in the community and deposits which may be drawn on by checks. This in addition to the rate at which the quantity is turned over in the course of a year—that is, the velocity of circulation — will give us a fairly good index as to the quantity of money in circulation at a given time.

In this connection it may be recalled that in China at the outbreak of the war in 1937 the total money in circulation was in the neighborhood of $2 billion, all represented by yuans, otherwise known as fapis, or legal tender notes. The fapi, as also was shown, was circulating widely in all parts of China with the exception of several outlying districts such as, Outer Mongolia, Hongkong and the former Three Northeastern Provinces. After the war, with these places returned to China and with the blockade of the seacoast lifted, thus making it possible to resume the import of goods from abroad to relieve the situation of scarcity there is every reason to believe that an important deflationary effect will be brought to bear upon the sky-high price level which is now being experienced by the country. Thus, other things being equal, if the factor M in the equation of exchange, $MV=PT$,[7] is reduced, then in order to lower the factor P (price level) all we have to do is to increase the factor T, (total number of units of goods, wages, etc.) a condition which calls for increased production at home and large import of goods of all kinds from abroad especially during the period immediately following the cessation of hostilities.

Now for the sake of argument let us assume that the national economy will need $3 billion to maintain a price level such as existed in 1937 which is generally considered as a normal year. The excess amount of paper money to be syphoned off will then be $77 billion.

How could this huge amount of surplus money possibly be withdrawn? It has been contended that in order to bring the price level back to 1937 the $77 billion of excess funds still vested in the hands of the public may be funded into long term Government debt bearing a low interest rate, say at 2% per annum. In all fairness to this contention it may be said without fear of doing injustice to those who have sincere intentions to retain the use of the fapi, that this method is rather impracticable. To begin with, it is beyond the financial ability of the Government to increase its public debt by so huge an amount. It is true that the figure of national income is an unknown; it may be large enough, as commonly believed to support a debt of that size. But through closer examination we will readily see that it would be idle to pretend that this is true. If we take a look at the national budget, we are all the more convinced that for China to carry a public debt of $77 billion, not to mention the old debt which amounts to no less than $3 billion, it is simply out of the question for China to do so. Thus in the fiscal year which began from July 1,1937 to June 30, 1938, the total estimated revenue of the National Government amounted only to $1,000,649,496,[8] a sum which is not even sufficient to pay the 2% interest on the $77 billion funded debt.[9] Furthermore, the adoption of this method is time consuming. It may take months or years to convince the people of the desirability or necessity of buying Government bonds. In the United States, where the educational standard of the people is high, when it comes to selling war bonds to the people, everywhere the Government meets only with whole-hearted cooperation and this despite the mounting taxes heaped upon their shoulders. In China the picture is different; the administrative machinery for the distribution of Government bonds is inadequate and it has never had the experience of selling Government securities to the general public and the people are simply too ignorant to appreciate the idea of investing their money in them.

Even if it is possible to fund the excess purchasing power into a more or less permanent debt, it is certain that the very process of absorbing, since it is time consuming, will give rise to a slow and graduated process of deflation, a state of affairs which is absolutely detrimental to business recovery and is bound to throw a wet blanket over the entire program of rehabilitation. For when it is certain that prices will be falling, as a result of the contraction of money in circulation, retailers and wholesalers would let their supplies run down, and manufacturers would also "play safe" in running their plants, purchasing raw materials or hiring additional labor. Under such circumstances, it is only natural to expect that the buying public would tend to delay their purchases as to do so is to buy more cheaply. If everyone is acting under the same motive, the whole economic system will soon be brought to a standstill.

A long and sustained deflation also carries with it the evil of disrupting the relations of debtors and creditors and of doing injustice especially to those debtors whose debts have long maturities and are to be amortized periodically. For while deflation brings down the prices of things sold it certainly will be a folly to claim that the principal of all outstanding debts will be equally reduced thereby. Take a farmer who has a $5,000 debt to discharge for instance. Once the forces of deflation are set in motion, the number of bushels of rice, or potatoes or days of labor required to pay off his debt gradually will be increasing. If the quantity of his produce could be increased proportionally to the changes in prices, then it probably would not make much difference whether the prices are going up or down. But since agricultural organization "lacks the elements of flexibility found in a large part of the manufacturing and other industries,"[10] it is rather doubtful that the debtor will have the ability to adjust his output to price changes, and if relief cannot be brought forth through governmental actions, dire consequences of economic depression usually becomes inevitable.

Another evil that is bound to accompany such a policy of slow and graduated deflation is its unfavorable effect on the country's export trade. In a period of falling prices, the costs of production of home products generally fall more slowly than the exchange rate on foreign countries expressed in local currency (e. g., the number of fapis required to buy, say, one United States dollar or a British pound). Wages which is the largest item in costs of production generally, too, would lag behind prices on the decline. The net result is that during the period of slow deflation the number of local currency which the Chinese exportor obtains from a given amount of foreign exchange would fall more rapidly than would the costs of production of his exportable products which are usually expressed in terms of prices paid for raw materials, plus wages, and taxes. And this depressing influence on the country's export will sustain at least until the task of currency stabilization is achieved. After the war China should grasp every opportunity to develop her export trade in order to enable her to buy from abroad and any financial policy which tends to weaken her foreign trade position should, if avoidable, never be attempted for it would be against the best interest of the country to penalize artificially its export traders when it needs as much foreign exchange as it could possibly get to import all types of capital equipments for industrialization.

III

For these reasons the writer ventures to propose that instead of withdrawing the surplus amount of fapis through funding it into long-term public interest bearing debt, a new currency or new unit of account be created to replace the entire amount of the depreciated currency and then express taxation and Government expenditures in terms of the new and stable unit.

For the sake of illustration let us call this new unit of account the "Sun". In order to bring about a proper alignment of the price level and the quantity of money required to support the desired price level, the exchange values between the Sun and the depreciated fapi be set at a rate which will respond approximately to the latter and will be subject to periodic revisions by the Treasury if and when it is found that the value of the fapi is still fluctuating during the time of its withdrawal. Thus as compared with July 1937 if the price level had gone up 100 times then the rate of exchange between them should be set at 1 to 100.

After the Sun has thus been introduced and circulated, full legal tender power should be conferred on it along side with the old fapi. The tax paying public will be given the choice to pay in either one of the two currencies and as the depreciated fapis are received by the Government through the channels of taxation and borrowing, they should be destroyed and in their place an equal value of Suns should be issued, that is, at the rate fixed by the Treasury. In order to shorten the period of with-drawing the outstanding amount of fapis, the people should be encouraged to exchange them for the Suns at any Government designated banks or money shops.[11]

The adoption of this method would have the immediate advantage of stabilizing the fluctuating price level in terms of the new and stable unit of account, and the significance of such a policy will be fully realized if we but pay attention to the fact that the task of monetary reorganization in the postwar years involves two separate problems—the attainment of budget equilibrium and the stabilization of the currency—and that it is impossible to secure budget equilibrium unless and until the depreciating currency has first been stabilized. The justification for this conclusion is to be found in the difficulties of making adequate fiscal estimates while the purchasing power of the money is still on the down grade. Furthermore, it should not be overlooked that whereas budget deficits in the early stages of inflation may have set in motion, as they actually did in the case of China, forces which brought about the depreciation of the currency, in the later stages of currency depreciation the line of causation often tends to be reversed; namely, the rapid depreciation of the currency may actually be the real cause for the existence of a gap between the receipts and expenditures of the national budget. It is for this reason that the task of stabilizing the currency should be undertaken prior to or at least coevally with the attempt to balance the budget.

IV

So far we have been concerning ourselves more or less with the outline of internal stabilization of the Chinese dollar. We have made no exploration of the problem of external stabilization, which, it is felt, cannot be solved by any single nation alone. It is an international problem and the solution must be sought through international actions and cooperation.

Perhaps the task of adjusting the external value of the Chinese dollar to its internal purchasing power is not as important as it would seem. It is a foregone conclusion that after the war it will be necessary for China, as it will be necessary for many other nations, to retain control over her foreign trade and to that extent her foreign exchange at least for a reasonably long period in which military and economic demobilization is to be effected. It is in this period that China will be faced with the acid test of whether or not she will be able to stand on her own or to put her economic system in good order, now that she is already unshackled from all sorts of unequal treaties. That is to say, the ability of China to inaugurate a program of external stabilization will depend upon whether or not China has "the ability to ensure the supply, at competitive prices, of articles of guaranteed quality, to remove restrictions on the export trade, and to provide efficient and economical transportation," as a foreign observer put it some time ago.[12] For if China is to attain a healthy stabilized economy, she must try every means practical to produce goods both agricultural and manufactured which are sufficent not only for the maintenance of a decent standard of living for her entire population but for export to international markets in exchange for goods which she could not produce more efficiently or simply could not produce at all.

It may be argued, that since China is one of the "Big Four" of the United Nations, she should be able to get foreign financial aid in the post-war years for her stabilization programs both internal and external, and that any disequilibrium that might exist between the internal and external values of her currency may always be adjusted by means of temporary foreign loans. Nevertheless, granting that this is true, we still have to bear in mind that rehabilitation if it is to be on a sound basis must begin from the bottom up rather than from the top down. As pointed out by the Hon. Charles S. Dewey, member of the House Ways and Means Committee:

> ". . . international trade is based on domestic prosperity and the building up of the financial and economic strength of a country would tend to keep its international balance of payments in equilibrium. The loaning of foreign exchange is at times necessary to effect temporary unfavorable periods of international balance of payments which might occur due to a crop failure or other similar cause. But unless the basic ability of a country to produce and export is built up, what may appear at the outset as only a temporary unfavorable condition may become permanent."[13]

Thus, as far as external stabilization is concerned, it may be said that the economic ills of the world cannot be laid entirely at the door of the monetary system. It is true that the stability of foreign exchange among all nations is essential to economic recovery. But it would be folly on our part if we sought the panacea for the deep-seated international economic disequilibrium solely through monetary policies. Indeed, the growing complexity of industrial and financial structure and the revolutionizing effect which has been brought on the production of agricultural products by the war, the wholesale destruction of real wealth, the rapid technical changes in the manufacturing of new and old industrial products, the alterations in fashion and demand, the drastic changes in the fiscal policies of warring nations, and above all the instability of political conditions in many countries, all these are world-wide phenomena whose evil effects must be removed or minimized if a saner world is to be built on the ruins of the present conflict. It is only when this preliminary stage of rehabilitation has been properly set, that the real task of external stabilization can be brought to the fore.

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[1] This estimate is obtained from a high ranking Chinese Government official whose name the writer has obligingly promised not to disclose.

[2] This information is furnished by some of the Chinese military cadets recently sent to the United States for technical training.

[3] Formerly the customs gold unit was an accounting currency with a theoretical gold content of 60.1866 centigrammes. The unit was established in 1930 and used as a substitute for the Haikwan Tael previously used as the customs accounting currency. Cf. *The Chinese Year Book* (1935-36), p. 1270.

[4] To be exact, the note issues for all China at the end of November, 1937, of the principal banks was $1,683,469,000. For all practical purposes, it will be taken for $2 billion when the notes issued by the various provincial governments, notably Kwang-Tung and Szechuan, are included. Cf. *China Year Book* (1938), p. 209.

[5] The New York "Times," July 7, 1943.

[6] It is true that highways can be extensively built today by the use of hand labor. But the real difficulty is China's inability to produce either vehicles or necessary spare parts for adequate maintenance work, not to mention the fact that petroleum deficiency will remain an insurmountable obstacle probably for years to come.

[7] In the case of China, where the use of checking accounts is rather limited as compared with the United States where 90% of all business transactions are conducted through checks, the factor M'V' may well be considered as nonexistent.

[8] Cf. *China Year Book* (1938), p. 472.

[9] The total interest charge on a $77 billion debt at 2% per annum is $1,540,000,000, and it is rather doubtful that once the war is over the national revenue could reach this figure.

[10] Spahr, Walter E., and others, *Economic Principles and Problems*, Vol. II (Fourth Edition), p. 349.

[11] It may be mentioned that this method is nothing new and original. The Polish Government in the early part of 1923 tried it. Unfortunately, Poland's attempt was an utter failure, but the particular failure in this case should be attributed to political factors which brought about the downfall of its government before the scheme had time to be experimented. Cf. Jack, D. T., *The Restoration of European Currencies* (London, P. S. King, 1927), Chapter I.

[12] Great Britain, Department of Overseas Trade, *Trade and Economic Conditions in China, 1933-1935*, Report by A. H. George (London, His Majesty's Stationery Office, 1935), p. 32.

[13] Hon. Charles S. Dewey, "A Bank of International Cooperation: A World RFC," *The Commercial and Financial Chronicle*, Vol. 157, No. 4188, June 24, 1943. It may be said in passing that China basically is a primary products producing country, but the "movements of the terms of trade against primary products can be halted (only) by improving still further productive efficiency in agriculture and raw materials, at the same time that domestic industrial opportunities are realized as fully as possible." Cf. Harris, Seymour E., *Postwar Economic Problems* (New York: McGraw-Hill, 1943), pp. 394-5.

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ABA Study On Bank Earnings & Expenses

A detailed, statistical compilation of the earnings and expenses of all insured commercial banks during the year 1942 has been prepared by the bank management commission of the American Bankers Association and will shortly be sent to the Association's membership, it was announced on Dec. 4.

The study, the sixth annual report of its kind compiled by the Association's Bank Management Commission, is designed to enable any commercial bank to compare its earnings ratios for 1942 with those of other banks of comparable type and size in each State and throughout the Nation as a whole. Detailed ratios of earnings from current operations, current operating expenses, recoveries and profits on securities, losses and charge offs, dividends and interest paid, and net profits before and after dividends are presented in the 27 tables of which the study consists.

William A. McDonnell, Executive Vice-President of the Commercial National Bank, Little Rock, Ark., is Chairman of the Bank Management Commission.

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Investment Trusts

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We like particularly the sentiments expressed in a recent letter from **The Parker Corporation**, sponsor of **Incorporated Investors.** The letter reads in part as follows:

"We are now starting on our 19th year as general distributor of shares of **Incorporated Investors**—one of the pioneer investment companies of the country.

"We have been a witness to all that has taken place in the investment company field—the wild enthusiasm, the optimistic promises, the over-zealous promotion, the unsound capital structures. Some of these faults were probably faults of the times rather than faults peculiar to investment companies. **In any event, we have seen self-purge and regulation lift the industry to a respected and dignified position in the mind of the dealer and the investor.** For our own part, we are more confident than at any previous time of the growth of the larger established investment companies with good records of performance, adequate management facilities, and strong financial sponsorship.

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* * *

The December-January seasonal stock price trend is the subject of **National Securities & Research Corp.**'s latest issue of **Investment Timing.** The article presents a table showing the record of stock market movements during December and January in each year since 1897. A rather uniform pattern is indicated. The statistical probabilities are summarized as follows:

1. Probable: Rise in early December.
2. Less Probable: Decline in first quarter of new year.
3. More Probable: Decline from early December high to Christmas Eve.
4. Most Probable: Rise thereafter into mid-January.

* * *

Lord, Abbett asks in the current issue of **Abstracts,** "Post-war collapse or post-war boom?" The discussion is built around a recent Brookings Institution study showing business trends following former wars. From that record and from an analysis of the present economic and political situation, Lord, Abbett concludes that a post-war replacement boom similar to the booms which have followed past wars will occur after this one and may be even longer and more pronounced.

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Other Lord, Abbett literature this week includes a letter setting forth the income tax status of 1943 dividends on **Affiliated Fund** and **American Business Shares.** In the case of Affiliated Fund, total dividends for the year amounted to $.22 of which $.09½ should be treated as ordinary income and $.12½ as capital gain for tax purposes. The total 1943 dividend of $.20 paid by American Business Shares should be divided as follows: $.12 as ordinary income and $.08 as capital gains.

Revised folders on Affiliated Fund's ("Aces") and **Union Bond Fund "C"** (UBC) have been made available to dealers.

* * *

Keystone Corp.'s monthly house organ, **The Keystone Investor** discusses "What will happen to the stock market when peace comes?" Conclusion: "The history of the market during the last war, the record of the market so far during this war and the facts about our present economy do not seem to justify any fear of peace—the objective which every resource of the civilized world is straining to achieve."

The latest issue of Keystone Corp.'s **Keynotes** is on the subject

(Continued on page 2435)

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Post-War Foreign Exchange Stabilization Further Considered

(Continued from first page)

eign exchange or as it absorbed blocked balances, and that there would be thus two kinds of Unitas deposits, one with 100% gold reserve and the other with very much less than a 100% gold reserve, and not necessarily payable in gold, and that the latter might easily go to a discount as compared with the former.

The revised plan of July 10 withdraws all suggestions of deposits. One wonders in that case how the Fund would operate. A bank which cannot give credit on its books in making payments, which cannot draw checks on itself in making payments, and which must use only its assets in making payments, is a new kind of bank. Such a bank could well enough operate in foreign exchange trading if it had many accounts with commercial banks throughout the world, but this fund is to deal only with the central banks or exchange stabilization funds of the various countries. It could not, thus, engage in any exchange transactions without using its gold in making payments, or else using checks or drafts or cable transfers on the central bank of the country whose currency it was using in making payments. Buying francs in the foreign exchange market, it could collect the francs only by forcing payment from French commercial banks into the Bank of France, tightening the French money market. Selling dollars, it could deliver only by shipping gold or by drawing checks on the Federal Reserve Banks of the United States, relaxing the American money market. It would thus constantly be creating problems of money market control, which might be embarrassing to the central banks of the different countries, with every foreign exchange transaction it engaged in. I think that the plan has not been well thought out from the standpoint of the mechanics of banking or of foreign exchange operations.

The plan is quite explicit as to what the assets of the Fund shall consist of, but is very indefinite as to what the liabilities of the Fund shall be. One feature of the plan, however, suggests strongly that there must be Unitas deposits. Section II, 3 (a) (iv) provides that "a member country may include in the legal reserve account and in the published statement of the reserves of gold and foreign exchange in its Treasury or Central Bank an amount not to exceed its gold contribution to the Fund, minus its net purchases of foreign exchange from the Fund paid for with local currency." If the legal reserve thus published does not consist of deposits in the international fund subject to payment on demand, then the published statement would be fraudulent and fictitious. A reserve that is not instantly available is no reserve.

Gold in the New Plan

The new plan puts an increased emphasis on gold in form, but introduces the new element of the change in the gold content of the Unitas by an 85% majority vote, which would require the approval of the American member of the governing board, but not the consent of Congress. As the Fund has power to fix the exchange rates of all countries with the Unitas, and power to change the gold content of the Unitas, the Fund could change the gold content of the dollar without the consent of Congress.

Free Exchange and Control of Capital Movements

The revised plan emphasizes (Preamble, Section 4) that the Fund is to deal only with member governments and their fiscal agents and is not to intrude in the customary channels for conducting international commerce and finance. This is designed to relieve the fears of private finance. We have a picture of a free foreign exchange market, with the Fund intervening only "where a weak currency cannot be disposed of in the foreign exchange markets[2] within the range established by the Fund" (V. 1).

On the other hand, we have the provision (VII. 2) that member countries are not to engage in exchange dealings with member or non-member countries that will undermine stability of exchange rates established by the Fund, which can have meaning only if private transactions in foreign exchange are controlled. And we have the provision (VII. 4) that member countries are to cooperate for the purpose of regulating international movements of capital, taking measures such as not to accept or to permit acquisition of deposits, securities or investments by nationals of any member country imposing restrictions on the export of capital, and to make available to the Fund full information as to deposits, securities and investments of the nationals of member countries imposing restrictions. This again means a drastic control of all private transactions in foreign exchange and other international transactions.

The United States Treasury Plan goes on the assumption that it is possible to separate easily transactions on current account and transactions on capital account, to leave the current account transactions entirely free and to control the capital transactions. No such thing is possible. A man wishing to transfer his capital from one country to another needs only to ship out commodities and leave the proceeds abroad. The Keynes Plan is a great deal more realistic with respect to this point. It recognizes that control of capital movements "if it is to be effective probably requires the machinery of exchange control for *all* transactions."[3]

Let no one be under the illusion that the modest retirement to a limited field, leaving private transactions free, is possible if the real purposes of the Fund are to be carried out.

It is possible for a country which has blocked balances to make composition with its creditors or special arrangements with its creditors on old debts and to let new transactions be free. But it is not possible to have general freedom of exchange transactions, general freedom of movement of goods, and simultaneously to prevent capital movements.

A country which is afraid of "hot money," money which may suddenly jump to another country, has a very simple way of avoiding this danger. It does not need to control capital movements. It protects itself from this danger by having a sound currency, firmly anchored to gold at a fixed rate, by keeping control of its money market so that its demand liabilities do not grow excessive in relation to its gold, by keeping a balanced budget—by making a financial environment in which money cools off and wants to stay.

"Abnormal War Balances" and Blocked Exchange

The revised plan of July 10 makes what appear to be more moderate proposals with reference to handling of blocked balances in debtor countries, meaning, chiefly, England, than the original Treasury plan did. The proposal of the original plan was that the new international institution should take over the blocked balances from the creditor countries, and give them immediate cash, without requiring the debtor countries to pay immediate cash. The Fund was to hold these for 23 years, with amortization beginning at the end of three years, which would reduce the Fund's holdings by 80% at the end of 23 years.

I protested against this as a device for transforming Britain from the position of an embarrassed debtor to the position of a strong creditor at the expense of the United States.

The new proposal is in form more moderate, so far as the operation of the Fund for the first two years is concerned. The Fund may, in the first two years, take over such blocked balances to the extent of 10% of the quotas of all countries. As the quotas are to be five billion dollars, or more, the fund would thus be allowed, during the first two years, to absorb a minimum of one-half billion dollars of these blocked balances. At the end of two years, the Fund would be free to reconsider the matter and presumably to take over all the blocked balances, if it decided to do so.

This reduction in the amount that can be taken in the first two years may be in deference to the proposals of the Canadian experts, and it may be because of a study of the sums involved.

When I wrote my address in May of this year, I was unable to get satisfactory information as to the magnitude of the blocked balances in Britain, though I knew that they were large and growing. *The London Economist* of Aug. 7, 1943, pages 180 and 181, however, provides some exact information. The following table gives particulars for seven countries, all but one being in the British Empire.

	£1,000's	Date
India	500,000	July 16, 1943
Eire	121.458	Mar., 1943
Canada*	157,300	Aug., 1943
Egypt	71,200	Dec., 1942
Malaya	58,000	July, 1943
Australia	64,000	May 31, 1943
New Zealand	34,000	Feb., 1943
Argentina	17,500	Dec., 1942

*Interest-free loan.

The Economist adds that other accounts, not included in the tabulation, will bring the total of such sterling indebtedness easily above the one billion pound mark. This figure would, presumably, include the pre-war balances, mentioned in my address of May 11. *The Economist* further adds that the totals are growing, and that in particular the sterling assets piling up to the credit of the Reserve Bank of India are likely to rise by an annual increment of about three hundred million pounds.

Obviously blocked balances of this magnitude would be a pretty big pill for an exchange stabilization fund of five billion dollars to swallow. The Bancor fund of Lord Keynes' proposal could easily swallow blocked balances of this magnitude because all it would have to do would be to expand, giving new Bancor deposits against the blocked balances absorbed. But if the Fund as contemplated by the United States Teasury is not to have deposits in Unitas, but is only to buy and sell foreign exchange or other assets for cash, it could exhaust its cash, including its gold, without taking care of all the blocked balances, and have nothing left for exchange stabilization operations.

Parenthetically, the *Economist* expresses great concern over the growth of the balances with India which it says "is bestowing on India one of the most pronounced inflations experienced by any belligerent country." The growth of the Indian balances has been held down until recently by Indian use of the balances to reduce long term Indian sterling debt, but only 12 million 250,000 pounds of this debt remains, and this brake on the accumulation of sterling by India has now been virtually removed. A later issue of the *Economist*, that of Oct. 2, returns to the subject of the inflation in India, which is evidently very dangerous, and which seems to be intimately connected with the issue of rupee notes in India against these blocked sterling balances. Indian war finance has clearly been very badly handled by both British and Indian governments.

Britain's problem with respect to these blocked sterling balances is obviously a grave one and a difficult one, and the sleight of hand by which Lord Keynes and our Treasury, in its first proposal, undertook to abolish the problem, by throwing it on the shoulders of an international fund in which the United States would be overwhelmingly the biggest creditor, caught the British imagination and was at first widely acclaimed in England.

The London Economist vs. Keynes

But sleight of hand is not typically English, and as the British have thought about the matter, British opinion with respect to it shows signs of changing. This is strikingly evidenced in the *Economist* article from which I have taken the foregoing figures.[4] Referring to the Keynes plan for having these taken over by the international fund, the *Economist* says: "Coming from the principal debtor, this is perhaps asking rather a lot. The suggestion is certainly in keeping with the professedly expansionist trend of the Keynes scheme. But more than any other proposal in that scheme, it seems calculated to frighten and deter the likely surplus countries on which the immediate task of liquefying these debts would fall. The White scheme, however, is hardly less helpful to the debtors owing abnormal wartime balances. It goes into much greater detail * * * but the ultimate effect is the same."

The *Economist* adds: "It may seriously be questioned whether this 'global' approach to the problem of abnormal balances—which in substance is the problem of sterling balances—is the correct one." It proposes instead that, particularly in view of the diverse character of the balances, the problem "could best be tackled by separate agreements with each country concerned." The *Economist* contends that the solution is to be found in a post-war increase of British exports, with a tightening of the belt, adding that this will require fair access to the markets of the world, especially of the new creditors, for British exports.

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[2] This means that the Fund is primarily designed to give up good moneys for bad moneys, and that its assets would rapidly deteriorate.

[3] International Clearing Union, April 8, 1943. British Information Services, Section 33.

[4] That of Aug. 7, 1943.

This is the old England talking. This is the sound financial thinking of pre-Keynesian England. An England which talks in this way may rest sure that the financial world outside will show her every consideration and will give her every legitimate sound financial assistance.

Post-War British Policy

This sound financial assistance should come in the form of long time investor's money, not in the form of an expansion of reserve bank money, or of operations of our exchange stabilization fund which increase the volume of bank reserves in the United States.[5] We tried that sleight of hand for the purpose of helping England in 1927, when Governor Benjamin Strong and Governor Montagu Norman, following the Conference of Governors in New York in the summer of 1927, prevailed upon the Federal Reserve System to expand credit in order to tide England over the autumn, with devastating results to us and England in the period that followed.[6] But England can have help from American investors in tiding over her difficulties when she takes the attitude of *The Economist* of August 7. I may add that she will get this help at much lower rates of interest if, as part of the loan agreement, she anchors sterling soundly to gold, than would be the case if she leaves sterling floating, or adopts an ambiguous policy of temporary gold stabilization with the way left open for future reductions in the gold content of the pound.

I may add, too, that one of Britain's post-war resources in meeting a radically altered balance of international payments will be to rebuild her great re-export business, her world-wide insurance business, and her financing of world international trade and international security transactions, and that for these, I believe, not merely a free sterling but also a fixed gold sterling will prove essential. I may add, too, that the Keynesian insistentence that there should be no reduction in money rates of wages in England must be abandoned. Britain, to export in adequate volume, must export goods which in price and quality compare fairly with goods produced elsewhere in the world, and she must also have flexible prices so that she can adjust herself quickly to variations in the world's markets. This means that she must have flexible costs at home. She must have prices and costs which rise with the world markets and which decline with the world markets.

It was the rigidity of British wages and prices in the 1920's and in 1930-31 which made Britain lose disproportionately in the world's export markets as world prices and costs receded in the great depression. England was shot through, not merely with powerful labor unions which held to fixed wages, but also with price fixing agreements among the industries. She had lost her flexibility. It was in this pathological British economic situation that the pathological Keynesian doctrine of offsetting internal rigidity by a fluctuating currency and a fluctuating rate of exchange for that currency in the foreign exchange markets was developed. England has tried this method pretty thoroughly. She has seen sterling wrecked by it. She has seen it generate an immense body of "hot money" jumping into and out of England with every prospect of a change in the price of sterling. She has finally seen herself obliged to block sterling so that it is no longer of real use in financing trade with or among outside countries. She has seen it split the British Empire into separate currency areas, with sterling valid only in England itself. She has followed Lord Keynes in the belief that a low rate of interest at home is more important than a dependable sterling in world trade. I think that she will have hard going

(Continued on page 2426)

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[5] See my speech of May 11.

[6] See *The Chase Economic Bulletin*, Oct. 29, 1927; June 4 and June 25, 1928; Feb. 11, 1929; Nov. 22, 1929.

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Post-War Foreign Exchange Stabilization Further Considered

(Continued from page 2425)

in the post-war period unless she reconsiders this policy.

South African Gold

There is one factor in the British picture which may make these sterling blocked balances a less formidable thing that the figures given above would indicate. It may be significant that *The Economist's* table given above does not include South Africa. There is reason to believe that there were some blocked balances owned by South Africa at the end of 1941. South African gold production has, doubtless, continued during the war, but what has happened to the gold is not clear. The annual volume of gold produced in South Africa was $425,649,000 in 1938, and South Africa could increase this substantially by utilizing her high grade ores. Certainly this gold has not been coming to the United States in the last two or three years. To what extent it has been available to England has not been made public to my knowledge, though the Bank for International Settlements in June, 1942, suggests that it has been sold to England. What England may have given South Africa in payment is not clear. This gold was regularly sold in London for sterling in the days when sterling was a free exchange.

If we could look upon the British Empire as a unit, the Empire would have large liquid resources. Obviously we cannot do so, since the gravest problem in England's blocked balances is the blocked balances held by India. But there is evidence that some of this South African gold, at least, is currently being used on British Government account. *The Wall Street Journal* of Saturday, Nov. 13, reports that South African gold is being used both in India and in Persia. In India it is pulling down the price of gold in terms of rupees, and it is also inducing the natives to give up hoarded foodstuffs to relieve the Indian famine.

Austria's Return to a Free Exchange in 1934

Is it possible for a country with blocked exchange to return to a free exchange? We saw Germany, following the standstill of 1931, with the exchange control that accompanied the standstill, move steadily toward a tighter and tighter control of foreign exchange, with an increased blocking of balances owned by foreigners, and with the development of many different kinds of marks, some of which could be used for one purpose and some for another, but with ever tighter controls. We saw Italian exchange increasingly controlled in the period of the 30's. Is it possible to get out of this cycle once you get into it? We have an answer in the experience of Austria. Austria also went into standstill, blocked foreign balances, and strict exchange controls in 1931, and Austria returned to a free exchange in 1934. The difference was not that Austria was financially stronger than Germany. The difference was that Austria preferred freedom of exchange and commerce and worked toward it. Italy's problem was complicated by the Ethiopian War. Austria had no such problem. Germany's problem was complicated by a government which loved control, which deliberately sought Autarchie, and which in the latter years of the 30's was deliberately planning war and seeking self-sufficiency for war. Austria, financially and industrially weaker, but turning toward orthodox financial and monetary policy, achieved a free exchange and maintained it from 1934 until she was absorbed by Germany in 1938.[7]

A Constructive Program of Post-war Currency and Financial Reconstruction

The *Chronicle* has asked me to elaborate some suggestions made in my speech of May 11 as to a constructive program for restoring sound currencies, and consequently fixed exchange rates, for the stricken countries of Europe. I had urged that the effort to stabilize exchange rates along the lines of the Keynes-White Plan would waste billions, as we saw in 1919-20 when we tried a similar thing. I had proposed instead that we make relatively small loans to each country separately, tens of millions, up to two hundred millions,[8] conditioned on drastic financial reforms in the borrowing countries, would really create sound currencies and sound internal finances, generate industrial revival, and as part of it, give foreign exchange stability, as we saw in the case of Austria in 1923, Germany and Hungary in 1924, and Poland in 1927.

The largest of these loans, the Dawes Plan loan of 1924 of two hundred million dollars to Germany, came at a time when Germany was helpless, the mark had sunk to a trillion to one, the working capital of the industries had been largely exhausted, stocks of goods in the country were very low, and there was widespread unemployment. Under these conditions, Germany readily consented to a plan which separated the Reichsbank from government control, which created a balanced budget, and which allowed a measure of foreign supervision of the Reichsbank and a foreign control of certain of her taxes.

The problem was complicated, moreover, by the problem of reparation payments, and the plan was much more drastic than would have been necessary if the reparations factor had not been involved. The loan gave Germany no money to spend at home for domestic purposes. The German Government borrowed two hundred million dollars which it placed in the vaults of the Reichsbank in gold. In exchange, the Reichsbank gave the German Government eight hundred millions of Reichsmarks in bank notes and deposits. But the German Government was obliged to use this eight hundred million Reichsmarks in making purchases in Germany of goods for delivery in kind to its foreign creditors on reparations account, and, indeed, was obliged to provide an additional 200 million Reichsmarks. The loan thus did not help the German Government's budget and the loan did not give the German Government anything to spend at home in relieving distress among the people or in supplying working capital for the industries.

What the loan with the accompanying conditions did do was to give Germany a sound gold currency which the people of Germany and the people of the world outside trusted, and a balanced budget, indeed an over-balanced budget based on a drastic increase in taxation. The Dawes Plan worked. Germany started, almost immediately, a strong upward move in business which speedily reached boom intensity.

Inadequate working capital and a variety of other factors led to a sharp crisis in the winter of 1925-26 from which, however, Germany[9] speedily recovered, returning to strong activity in 1926, which continued into 1929.

If Germany had had no reparations to pay, if the German Government could have used the eight hundred million of Reichsmarks internally in adding to the working capital of German industry (apportioned with the approval of the lenders), and in some measures of relief, the problem would have been far easier. And if Germany had had no reparations to pay, she would not have collapsed in 1931.

The problem of dealing with Germany after the present war is, of course, a special case, but in facilitating the restoration of countries like Denmark, the Netherlands, France, and Norway, where presumably intergovernmental debts will make no complications, small loans of this kind, properly conditioned on sound internal finances, including the gold standard, and including firm discount rates when necessary to protect the gold standard, should easily do the job.[10] The governments can then use the proceeds of the loans (a) in putting adequate gold into their central banks and (b) in using their local currencies, obtained from the central banks in exchange, for domestic purposes.

I said in the speech of May 11th that a great deal of immediate help would have to be given by the United States to the most stricken countries of Europe the moment the war ends, but that we should be under no illusions as to getting this money back. This help should be gifts, not loans. It should be handled on Red Cross lines. It should be limited to what is strictly necessary. In general, it should not extend beyond the next harvest. It should be accompanied, moreover, by demands made upon the governments of the stricken countries that they take steps to put their financial houses in order. The gifts as well as the loans should do the recipients permanent good. The stabilization loans, in moderate amounts, made as far as possible by private investors through investment banking houses rather than by our Government, should follow as speedily as possible.

In the midst of the swirl of many tens of billions of our wartime budget, the figures of tens of millions and even two hundred millions, which I am talking about, look very small and insignificant. It is evident that our Treasury is thinking in very much larger terms. Under date of Oct. 8, 1943 (*New York Times*, Oct. 9, 1943) the Treasury released the "Guiding Principles for a Proposed United Nations Bank for Reconstruction and Development," a world bank, or a world RFC, which should have a capital of ten billion dollars. An AP dispatch of Nov. 23 states that Secretary Morgenthau has given Congress an unofficial amplification of this plan. I have not the text of this statement as I write. The Secretary is quoted as saying that after spending hundreds of billions for war, we should not balk at spending a few billions to help assure peace and prosperity. This world RFC is to be in addition to the International Stabilization Fund which I have been discussing, which is to have a minimum capital of 5 billion dollars.

This second world bank is designed to be an investment bank to provide long credits. It starts out with the suggestion that its role is to be a modest one, that it is to encourage private financial agencies, but when necessary will cooperate with and supplement private capital, and for this modest purpose it needs only ten billion dollars, 20% of which is to be provided at the beginning, with not over 20% to be called for in any one subsequent year.

Now I regard this as highly unrealistic. In the first place, we must speedily pull up, in the interests of our national solvency, from using billions of dollars of money borrowed by the Treasury from the banks. Presumably our Treasury could put 3 1/3 billions of dollars into such a fund in the next few years, but where the other 6 2/3 billions would come from is highly problematical. How much spare cash will England have in the next few years to put into such a fund, internationally valid cash, taking into account her own blocked balances?

But, second, to put the thing in the proper perspective, how can the stricken countries of Europe repay gigantic loans made by private agencies, supplemented and endorsed by the modest ten billions of the world investment bank? If we are to make loans to Europe, they must be good loans. We must not deluge them with funds for a time, then cease to lend them, and then see them default upon what we have lent. They must repay borrowings made by their governments (a) by creating fiscal surpluses, excess of taxation over Government expenditures, which fiscal surpluses will exist in the form of domestic currencies, and (b) by transforming these fiscal surpluses into foreign exchange by giving their foreign creditors more goods and services than they receive from them. They must pay with hams, with cheese, with bottles of wine, with optical instruments, with bolts of cloth, with widely diversified manufactures of all kinds, with fine artistic products, with shipping services, with the entertainment of tourists, and the like, in amounts exceeding their imports of goods and services.

When the matter is put in these terms, it is quite clear that loans of tens of millions, or at most two or three hundred millions, look much more reasonable than loans of many billions. The small loans, moreover, made under proper conditions with necessary foreign supervision, will, as we demonstrated in the cases referred to above, restore their currencies, restore their finances, and put them in a position to take care of themselves.

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[7] The fullest account of this episode that I know is contained in the *Revista Di Storia Economica* (published in Italy, and edited by the distinguished economist, Luigi Einaudi), December, 1937, in an article by Dr. Oskar Morgenstern. I have been able to get some further details from banks and other sources. Apparently there was a good deal of composition of the old debt, and a gradual repayment of much of it. New transactions became free. Dr. Morgenstern says that in 1937 there remained some "residues of surveillance on the part of the bank of issue, due to the fact that all institutions have a tendency to perpetuate themselves, and that the bank of issue is interested in watching capital movements."

[8] The debasement of our own gold dollar means that these amounts might have to be increased by 69%, if we mean to put an equal number of ounces of gold into the central banks of the countries we are aiding.

[9] See *The Chase Economic Bulletin* of April 2, 1926.

[10] England may need several hundred millions of dollars, but should not need billions, if she works out the problem of blocked balances with her debtors separately, paying cash for a minor part, and getting long credit for the major part.

They will, moreover, create an atmosphere under which further private credit will come to them, both bank credit for their commerce, and investment funds for their industries. The Dawes Plan did, in fact, give Germany so much credit in the outside world that she very greatly over-borrowed, primarily because we were over-expanding credit here and had too much money to lend.[11] The total of all credits to the outside world ought not to approach the $1,100,000,000 per year which we averaged in 1924-30.

The question of how much our Government must do in providing financial aid to Europe, and how much private investment banks and investors will and can do, is one that ought to have a great deal of frank discussion. I have sought the opinions of a limited number of good investment bankers with respect to this point. One especially able banker, who had a good deal to do with placing loans in Germany and Italy in the 1920's, as a result of which he acquired a great deal of bitter experience and also a great deal of knowledge, says quite frankly that he cannot convince himself that he would be justified in again offering to clients German or Italian bonds. He would, however, undertake to place dollar bonds of Denmark, Norway, the Netherlands, Britain, and probably of France, with the American public, and he believes the public would take them if they were made in proper amounts and under proper conditions. But he would leave the financial rehabilitation of Germany and Italy to the Government. Another able investment banker expresses the opinion that sentiment can change very rapidly with respect to foreign obligations in the United States if we get a good peace, and that private investors and private investment banks can do a great deal.

The capital of private investment banks in the United States today is a great deal smaller than it was in the 1920's, but it would not be difficult to bring new capital in if profitable business developed. Foreign issues have been almost nonexistent in the United States in recent years and new domestic capital issues have been very small. Our investment banking and our security exchanges are both terribly over-regulated. The chief business of investment banking has been in refunding issues, and the need for investment banking capital has been greatly reduced. Investment bankers will certainly be far more responsible in their attitude toward foreign loans than they were in the latter part of the 1920's.

I am opposed to an international investment institution such as is proposed in the Treasury statement of Oct. 8. For one thing, it is open to the objection that the control of it would be an international control and not an American control, even though America would be the chief lender. I would say with respect to this institution what I said with respect to the International Stabilization Fund, namely, that if we are going to lend, let us do our own lending. Let us not create a bank in which the borrowers dominate the Board of Directors!

This does not mean that our Government may not cooperate with other governments, but it does mean that we should be free to negotiate regarding conditions when we lend our Government's money.

There are many reasons why private capital rather than government funds should do the work as far as possible. One of them is that if a government insists upon financial reforms on the part of another government, a diplomatic issue is created which may be difficult. But if investment bankers are dealing with a foreign government which needs to borrow here, the problem is very different. The investment banker is not lending his own money. He is advising the foreign government as to the conditions under which American investors will take the foreign loan. He does not have to make demands. It is sufficient for him to say with great courtesy that he fears American investors would not be interested in the loan unless such and such things are done. In considering the uses to which the borrowing country should put the proceeds of the loan, moreover, the bankers would have a far more realistic view than would the Government.

The American investment market is at present gravely handicapped with respect to foreign loans by certain legislation, including the Johnson Act and some rather humiliating provisions of the Securities legislation. There must be very important legislative changes before American private capital can act adequately, in either the foreign or the domestic field. There ought to be close cooperation between private investment bankers and the Government in the placing of foreign loans in the United States. The Government should have the definite power to veto such loans—and indeed the investment banking community ought to welcome such a power on the part of the Government for its own protection.

I do not feel justified at the present time in proposing a definite demarcation of the limits between private and Government lending to Europe, when there is so much uncertainty as to what Europe will look like when the war is over. I do believe that we should do it privately as far as possible. I think that Germany, and perhaps Italy, must be dealt with by the Government itself, if they are to get outside financial help in the early post-war period.

I think, too, that American investment in Europe, following the initial stabilization loans, ought, as far as possible, to be on the basis of equity investments rather than bonds. I think it not impossible that well managed investment companies, buying European shares, diversifying their portfolios among the different industries and the different countries of Europe, and capitalized in this country with common stock only, might be able to accomplish a great deal. They would seek venture capital, and they should frankly let their shareholders know from the beginning that the future offers the possibility of losses as well as of profits. In bad years dividends from European shares would be heavily cut. In good years they would rise. Europe would not be faced with default in bad years on such investments, and the investments would themselves be safer over the years by virtue of that fact.

Finally, we can do nothing financially sound to help Europe with credit unless we lower our tariffs, and make it easily possible for Europe to repay with goods.

The CHRONICLE invites comments on the views expressed by Dr. Anderson in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle. 25 Spruce St., New York (8), N. Y.

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[11] See *The Chase Economic Bulletin*, Aug. 1924. Aug. 1925. Oct. 1927, July 1929, March 1930. Oct. 1931. See, also, the warnings against the cheap money policies of the Federal Reserve System in the editorials of the *Commercial and Financial Chronicle*, during this same period.

Reelected Director Of Cleveland Reserve Bank

Reelection of Harry B. McDowell, President of the McDowell National Bank of Sharon, Pa., and Ross P. Wright, Secretary-Treasurer of the Reed Manufacturing Co. of Erie, Pa., as Directors of the Federal Reserve Bank of Cleveland was announced on Nov. 23 by George C. Brainard, Chairman of the Board. Mr. McDowell, unopposed, has been a Director since Jan. 1, 1938. He continues as a Class A Director, representing small banks in the Fourth Federal Reserve District.

Mr. Wright has been a Class B Director, representing small business on the Federal Reserve Board, since Jan. 1, 1917. William C. Arthur, President of Talon, Meadville, Pa., and a Director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland since last May, was nominated to run against Mr. Wright. Terms of both Mr. McDowell and Mr. Wright are for the three years ending Dec. 31, 1946.

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Canadian Securities

By BRUCE WILLIAMS

The appointment of the Canadian delegate to the chairmanship of the Committee on Supplies of the UNRRA signalizes the importance of the Dominion in the immediate post-war period. It is also a recognition of the valuable constructive work performed by the Canadian delegation at the Hot Springs Food Conference earlier this year.

No other country can so quickly step up the production of food, lumber, and other essential commodities, which will be so urgently needed after the cessation of hostilities. The Dominion has always been geared to the production of huge export surpluses, especially of food, forestry products and base metals; manpower shortage has been the only impediment to still greater efforts, and it is to be hoped that steps will be taken as soon as practicable to tackle the great problem of immigration.

With regard to Canada's ability to provide richly for a greatly increased population, it is interesting to quote the recently expressed views on this subject of Dr. Stephen Leacock, the well known Canadian writer and economist:

"One has no sooner made the statement that Canada can easily carry a population of a hundred million than dissent, I say, arises from all sides—from the Village Idiot, on the back bench, from the College Idiot on the front seat, from Labor on the floor and from Capital on the platform.

"All these objections rest on misinterpretation, an historic error and a failure to appreciate the great changes now bringing about a shift of the population of the globe towards the northern regions.

"The whole scene is sheer illusion—Canada is as empty as ever — almost; still abundant room, abundant opportunity—life and all that makes it sweet, waiting here for uncounted millions of people—serene sky and empty plain, and rivers murmuring in the forest—nature's temple, where we crowd and wrangle round the entrances."

Turning to the market of this past week, although there was no improvement price-wise, nevertheless there was increased activity and a less bearish atmosphere. Direct Dominions were virtually unchanged on a small turnover. Nationals were quite active and were finally quoted fractionally higher. Ontarios and Quebecs were marked down slightly again. The demand which had persisted over a long period produced so little volume that attention has switched to other provincial issues, especially Nova Scotias and New Brunswicks, which have been recently absorbed on a fairly large scale.

British Columbias were dull and the 4½s of 1957 were in supply at a 3.45% basis. Manitobas also were a little lower with the 4½s of 1956 offered at 104¼. Saskatchewans and Albertas were inactive and prices were slightly lower; Saskatchewans 4½s of 1960 were offered at a yield of 5.60%, and Albertas 5s were quoted 77—78.

There was an improved tone in the internal issues and the Canadian dollar in the "free" market improved sharply from 11½% to 10½% discount.

With regard to the market as a whole, the general bearish feeling which, recently pervaded all investment markets, seems to be gradually changing to a more optimistic outlook. No longer do investors see the end of the war just around the corner, but more significantly, a little fundamental thinking on the subject of post-war interest rates has led to a more or less general conclusion that it will still be necessary to maintain interest rates at the existing level for an indefinite period after the war. As soon as the confusing end-year period is ever, it is likely that this improved sentiment will be reflected in all high grade investment markets.

Canada Bans Wage Rises For Duration

An order prohibiting further raises in wages in Canada during the war was issued in Canada on Dec. 9. The only exceptions to the order are in cases of "gross inequality or gross injustice" and then only in cases where the employer is able to pay an increase without raising prices.

The purposes of the order are set forth as follows, in an Ottawa dispatch of Dec. 9 to the New York "Times":

To provide for wages in which will be incorporated the cost of living bonuses granted under the old system, to stabilize the wages and maintain stability in prices and in the general cost of living; to provide machinery for an orderly rectification of any gross inequalities in wages so established "in so far as this is possible consistently with the paramount principle of the maintenance of stability in prices."

Employers are required under the new order to establish basic wage rates for employees by including in existing authorized basic wage rates the amount of the authorized cost of living bonuses. The amount of these bonuses is to be added to the basic wage rate and the new rates are to be established Feb. 15.

Pay On Cuban 5½s

J. P. Morgan & Co. Inc., as fiscal agents, have drawn by lot for redemption on Jan. 15, 1944, at par and accrued interest $950,000 principal amount of Republic of Cuba external loan 30-year sinking fund 5½% bonds issued under loan contract dated Jan. 26, 1923. Payment will be made on and after Jan. 15, 1944, at the office of J. P. Morgan & Co. Inc. in New York City.

Full Text Of Opinion Of U. S. Circuit Court Of Appeals In Case Of Hughes vs. SEC

(Continued from page 2418)

ties and Exchange Commission, entered July 19, 1943, under §15 (b) of that Act, 15 U. S. C. A. §78o (b), in which petitioner's registration as a broker and dealer was revoked. The order developed from a proceeding which was instituted by the Commission to determine whether or not petitioner had willfully violated §17 (a) of the Securities Act of 1933, 15 U. S. C. A. §77q (a), and §15 (c) (1) of the Securities Exchange Act of 1934, 15 U. S. C. A. §78o (c) (1). Two hearings were held on the matter before a trial examiner, who filed an advisory report recommending revocation. Exceptions, briefs, and oral argument were presented to the Commission, which then filed its findings and opinion and entered the order under review.

Petitioner was incorporated on April 9, 1940, under the laws of New York, and maintains its principal office and place of business in New York City. It is engaged in over-the-counter trading in securities as a broker and dealer, being registered as such with the Commission under the 1934 statute cited above. The dealings which resulted in the revocation were continued sales of securities to customers at prices very substantially over those prevailing in the over-the-counter market, without disclosure of the mark-up to the customers. The Commission concluded that such practices constituted fraud and deceit upon the customers in violation of §17 (a) of the Securities Act, §15 (c) (1) of the Securities Exchange Act, and its own Rule X-15C1-2.

Under the 1933 statute it was made unlawful for any person in the sale of securities in interstate commerce or by use of the mails "(1) to employ any device, scheme, or artifice to defraud, or (2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or (3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser."

The 1934 statute forbade a broker or dealer to make use of the mails or any instrumentality of interstate commerce to effect or induce the purchase or sale of any security, otherwise than on a national securities exchange, "by means of any manipulative, deceptive, or other fraudulent device or contrivance. The Commission shall, for the purposes of this subsection, by rules and regulations define such devices or contrivances as are manipulative, deceptive, or otherwise fraudulent." Acting under this rule-making power the Commission adopted its Rule X-15C1-2, which gave two definitions of the statutory term "manipulative, deceptive, or other fraudulent device or contrivance," viz., (a) "to include any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person," and (b) "to include any untrue statement of a material fact and any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, which statement or omission is made with knowledge or reasonable grounds to believe that it is untrue or misleading," and which provided in (c) that the scope of this rule should not be limited by definitions of the term contained in other rules of the Commission.

Petitioner's dealings which are here in question were carried out by various of its customers' men. The customers were almost entirely single women or widows who knew little or nothing about securities or the devices of Wall Street. An outline of the sales plan used with Mrs. Stella Furbeck gives a representative picture of how petitioner worked. Stillman, a Hughes & Co. agent, having her name as a prospect, called Mrs. Furbeck on the telephone and told her of a "wonderful" stock that she should buy. She replied that she was not interested. The next day he called again, and he persisted in his calls until she finally relented and made a purchase. From that time, on he and a co-employee of his, one Armstrong, worked their way so completely into her confidence that she virtually placed complete control of her securities portfolio in their hands. Every few days one or the other would have another "marvelous" buy—one that was defniitely "beyond the usual"—and she would add it to her collection, selling a more reputable security in order to finance the transaction.

The prices which Mrs. Furbeck and other customers paid for the securities purchased in this manner ranged from 16.1 to 40.9 per cent over market value. In addition, most of the transactions involved little or no risk for petitioner, because an order was usually confirmed before it bought the securities that it was selling. There is conflict in the record as to whether Stillman and Armstrong made any direct representations to Mrs. Furbeck of the relation of the price paid to market value. She claims that every time she made a purchase it was directly induced by the statement that the price would be under that current in the over-the-counter market, while they deny such statements completely. It is unchallenged, however, that at no time did either Stillman or Armstrong reveal the true market price of any security to Mrs. Furbeck or the fact that petitioner's profits averaged around twenty-five per cent. Similar evidence as to other customers all amply furnished the "substantial evidence" required by the statute to make conclusive the Commission's findings of a course of business by petitioner to sell at excessive mark-up prices without disclosure of market values to its customers. Securities Exchange Act of 1934, §25 (a), 15 U. S. C. A. §78y (a); *Wright* v. *Securities and Exchange Commission*, 2 Cir., 112 F. 2d 89, 134 F. 2d 733.

Petitioner challenges the order on three grounds: (1) that §15 (c) (1) of the Securities Exchange Act is unconstitutional because of an unconstitutional delegation of legislative power and that S. E. C Rule X-15C1-2 is invalid for vagueness, indefiniteness, and uncertainty, (2) that no violation of §17 (a) of the Securities Act was proved, and (3) that the Commission did not offer substantial evidence to establish the actual market price of the securities involved. We think none of them are to be sustained.

The objections to §15 (c) (1) of the Securities Exchange Act and to S. E. C. Rule X-15C1-2 are insubstantial. The standard for determining the acts prohibited by §15 (c) (1) is set up in the statute itself, and is more than adequate. The fact that the devices must be "manipulative, deceptive, or otherwise fraudulent" makes certainly for far more definiteness than such a standard as was approved by the Supreme Court in *Buttfield* v. *Stranahan*, 192 U. S. 470, and in numerous other cases. See, also *Smolowe* v. *Delendo Corp.*, 2 Cir., 136 F. 2d 231, 240, certiorari denied 64 S. Ct. 56. As for Rule X-15C1-2, its words are almost identical with those of §17 (a) of the Securities Act, a section which has already been sustained as against the claim of vagueness. *Coplin* v. *United States*, 9 Cir., 88 F. 2d 652, certiorari denied 301 U. S. 703. This similarity makes the first claim of error appear frivolous, indeed, since no allegation is made that §17 (a) of the Securities Act is invalid and since the revocation can be based on the violation of that section alone.

There is evidence in the record to show a threefold violation of §17 (a) of the Securities Act, viz., the obtaining of money "by means of any untrue statement of a material fact"; the "omission to state a material fact" necessary to make statements actually made not misleading; and the engaging in a course of business which operates "as a fraud or deceit upon the purchaser." It is true that the only specific evidence of false statements of a material fact is that of Mrs. Furbeck that the sales price was under the market price, and, as we have noted, these statements were denied by the salesmen. Although the Commission has neglected to make any finding of fact on this point, we need not remand for a specific finding resolving this conflict, for we feel that petitioner's mark-up policy operated as a fraud and deceit upon the purchasers, as well as constituting an omission to state a material fact.

An over-the-counter firm which actively solicits customers and then sells them securities at prices as far above the market as were those which petitioner charged here must be deemed to commit a fraud.[1] It holds itself out as competent to advise in the premises, and it should disclose the market price if sales are to be made substantially above that level. Even considering petitioner as a principal in a simple vendor-purchaser transaction (and there is doubt whether, in several instances at least, petitioner was actually not acting as broker-agent for the purchasers, in which case all undisclosed profits would be forfeited), it was still under a special duty, in view of its expert knowledge and proffered advice, not to take advantage of its customers' ignorance of market conditions. The key to the success of all of petitioner's dealings was the confidence in itself which it managed to instill in the customers. Once that confidence was established, the failure to reveal the mark-up pocketed by the firm was both an omission to state a material fact and a fraudulent device. When nothing was said about market price, the natural implication in the untutored minds of the purchasers was that the price asked was close to the market. The law of fraud knows no difference between express representation on the one hand and implied misrepresentation or concealment on the other. *Strong* v. *Repide*, 213 U. S. 419, 430; *United States* v. *Brown*, 2 Cir., 79 F. 2d 321, certiorari denied 296 U. S. 650. "The best element of business has long since decided that honesty should govern competitive enterprises, and that the rule of *caveat emptor* should not be relied upon to reward fraud and deception." *Federal Trade Commission* v. *Standard Education Society*, 302 U. S. 112, 116.

We need not stop to decide, however, how far common-law fraud was shown. For the business of selling investment securities has been considered one peculiarly in need of regulation for the protection of the investor. "The business of trading in securities is one in which opportunities for dishonesty are of constant recurrence and ever present. It engages acute, active minds, trained to quick apprehension, decison and action." *Archer* v. *Securities and Exchange Commission*, 8 Cir., 133 F. 2d 795, 803, certiorari denied 319 U. S. 767. The well-known "blue sky laws" of 43 states have in fact proved inadequate, so that in 1933 Congress after the most extensive investigations started on a program of regulation, of which this is one of the fruits. In its interpretation of §17 (a) of the Securities Act, the Commission has consistently held that a dealer cannot charge prices not reasonably related to the prevailing market price without disclosing that fact. See, among others, *Duker & Duker*, 6 S. E. C. 386; *Jansen and Co.*, 6 S. E. C. 391; *W. K. Archer & Co*,. SEA Release No. 3253; *Theodore T. Golden*, SEA Release No. 3404; *Guaranty Underwriters, Inc.*, SEA Release No. 3481. Had we been in doubt on the matter we should have given weight to these rulings as a consistent and contemporaneous construction of a statute by an administrative body. *United States* v. *American Trucking Associations. Inc.*, 310 U. S. 534; *Gray* v. *Powell*, 314 U. S. 402. As we have hitherto said of "the peculiar function" of the Commission: "One of the principal reasons for the creation of such a bureau is to secure the benefit of special knowledge acquired through continuous experience in a difficult and complicated field. Its interpretation of the act should control unless plainly erroneous." *Securites and Exchange Commission* v. *Associated Gas & Electric Co.*, 2 Cir., 99 F. 2d 795, 798. But we are not content to rest on so colorless an interpretation of this important legislation.

The essential objective of securities legislation is to protect those who do not know market conditions from the overreachings of those who do. Such protection will mean little if it stops short of the point of ultimate consequence, namely, the price charged for the securities. Indeed, it is the purpose of all legislation for the prevention of fraud in the sale of securities to preclude the sale of "securities which are in fact worthless or worth substantially less than the asking price." *People* v. *Federated Radio Corp.*, 244 N. Y. 33, 40, 154, N. E. 655, 658. If after several years of experience under this highly publicized legislation we should find that the public cannot rely upon a commission-licensed broker not to charge unsuspecting investors 25 per cent more than a market price easily ascertainable by insiders, we should leave such legislation little more than a snare and a delusion. We think the Commission has correctly interpreted its responsibilities to stop such abusive practices in the sale of securities.

Petitoner's final contention is that the actual market price of the securities was never satisfactorily proved. We agree, however, with the Commission that the evidence of the quotations published in the National Daily Quotation Sheets, a recognized service giving "daily market indications," as petitioner stipulated, and the prices paid concurrently by petitoner itself sufficiently indicated prevailing market price in the absence of evidence to the contrary.

Order affirmed.

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[1] The Commission points out that the National Association of Securities Dealers, Inc., an organization registered under §15A of the Securities Exchange Act, of which petitioner was a member at the time of the transactions in question, has a rule limiting mark-up prices in over-the-counter securities to those which are fair, and calls attention to a decision of the Association's District Business Conduct Committee reported in the NASD News for October, 1943, imposing a fine of $500 and censure upon a member found to have violated rules of the Association by a practice of charging mark-ups of approximately 10 per cent on transactions in listed and unlisted securities. It also cites a decision of the Circuit Court, Sangamon County, Illinois, *Matthews, Lynch & Co.* v. *Hughes*, No. 76441, June, 1939, sustaining the revocation of registration of a dealer who took "extremely high" profits, "running in one case to 25%," and a similar interpretation of the Ohio Securities Act by the Ohio Securities Commission, 1 C. C. H. Stocks and Bonds Law Serv., p. 3331.

House Group Kills War Bond 'Ad' Bills

Legislation authorizing paid newspaper advertising by the Treasury to promote the sale of war bonds was killed by the House Ways and Means Committee on Dec. 8. By a vote of 11 to 10, the Committee tabled three bills which called for expenditures of up to $30,000,000 for such advertising.

The Treasury had opposed the legislation as a subsidy and asserted that it would interfere with the present program of voluntary advertising.

The Senate had passed a bill on Nov. 16 providing for a yearly expenditure of between $12,500,000 and $15,000,000 for advertisements in daily, weekly, semi-weekly and tri-weekly newspapers published in cities having population of not more than 10,000. This bill, together with two House bills authorizing the expenditure of $30,000,000 to be "equitably distributed" among newspapers having second-class mailing privileges, were shelved by the Committee's action.

On Dec. 2 Secretary of the Treasury Morgenthau assailed the legislation as "a potential waste of Government funds" and said "it will not help sell War Bonds."

In a letter to Senator Byrd (Dem., Va.), Chairman of the Joint Committee on Reduction of Non-Essential Federal Expenditures, Mr. Morgenthau called the plan "a subsidy to certain small newspapers," declared that "we must pay all or none," and added:

"I think this proposal to distribute a sizable amount of the taxpayers' money in such a way that it will not contribute to winning the war, or to any legitimate requirement or our economy, is inexcusable.

"It is likely to prove an almost insurmountable hurdle to the continued promotion of War Bonds.

"As you know, we now depend upon cooperation by advertisers, publications, radio and the advertising industry generally to provide, without cost to the Treasury, the huge amount of advertising space and time required to reach and convince 130,000,000 people.

"By this means we are amply reaching all the important markets that would be available through this subsidy. The added impact, if there is any, would be of doubtful value."

Passage of the Senate bill was noted in these columns Nov. 25, page 2119.

War Bond Redemption Up

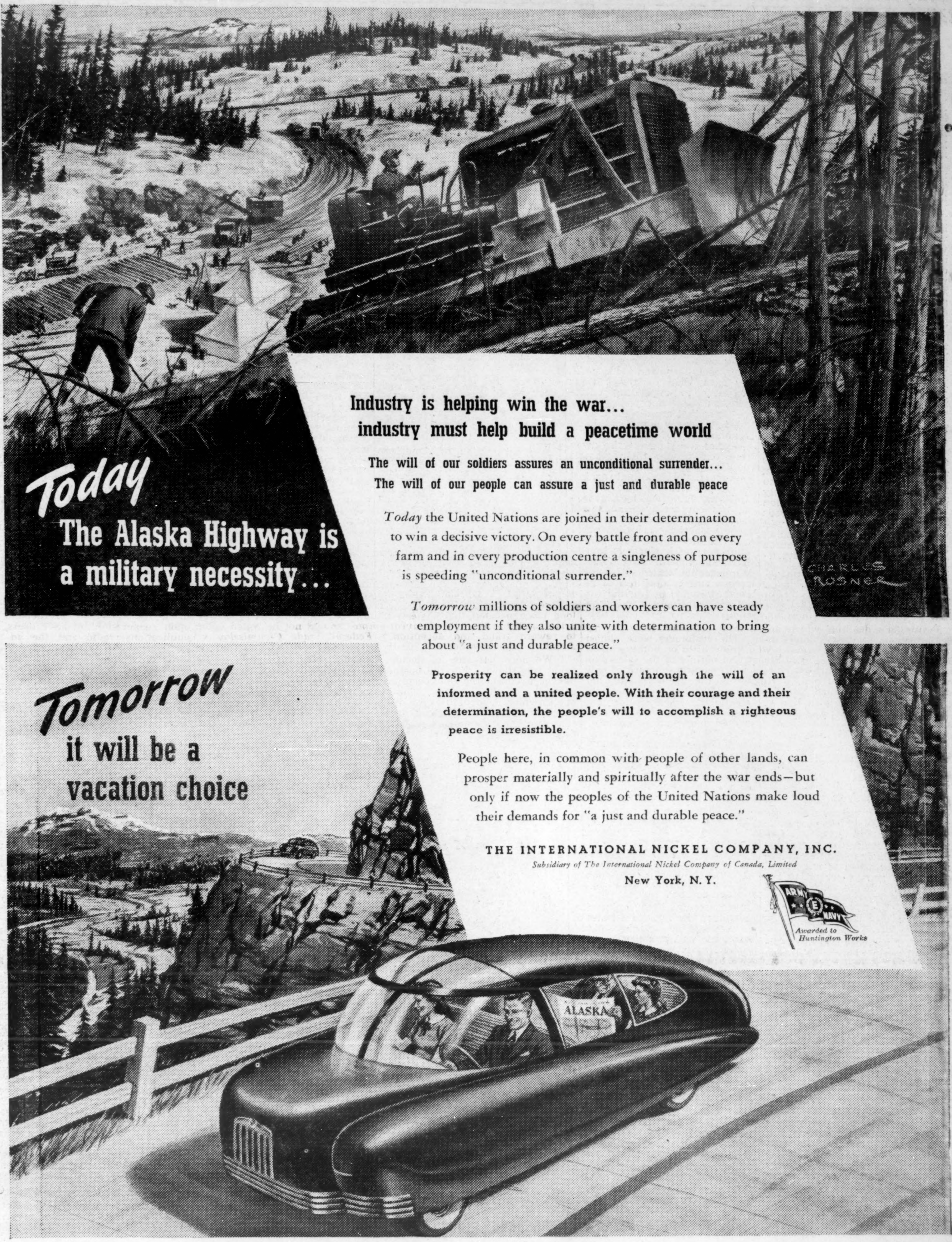
An increase in the rate of redemptions of war bonds was indicated in November. In the first 25 days of November $648,950,914 worth of Series E, F and G war bonds were sold, but $146,740,284 worth was redeemed.

In reporting this United Press Washington advices of Nov. 29 further said:

Redemptions in dollars are not much higher this month than in September and October, but in those two months sales were higher in reflection of the war loan drive.

Since July 1 redemptions have been running at the rate of about 13% of total sales, compared with an average of 3½% for all of the last fiscal year. Redemptions began to go up as soon as the withholding tax went into effect July 1.

In the last fiscal year $207,387,899 in bonds was cashed. But in less than five months of this fiscal year $735,748,138 worth has been redeemed, an average of about $146,000,000 monthly, compared with an average of about $34,000,000 a month in the corresponding period last year.



Today
The Alaska Highway is a military necessity...

Tomorrow
it will be a vacation choice

Industry is helping win the war... industry must help build a peacetime world

The will of our soldiers assures an unconditional surrender... The will of our people can assure a just and durable peace

Today the United Nations are joined in their determination to win a decisive victory. On every battle front and on every farm and in every production centre a singleness of purpose is speeding "unconditional surrender."

Tomorrow millions of soldiers and workers can have steady employment if they also unite with determination to bring about "a just and durable peace."

Prosperity can be realized only through the will of an informed and a united people. With their courage and their determination, the people's will to accomplish a righteous peace is irresistible.

People here, in common with people of other lands, can prosper materially and spiritually after the war ends—but only if now the peoples of the United Nations make loud their demands for "a just and durable peace."

THE INTERNATIONAL NICKEL COMPANY, INC.
Subsidiary of The International Nickel Company of Canada, Limited
New York, N. Y.

Awarded to Huntington Works

Jobs And Taxes

(Continued from page 2415)

Aside from the war effort itself, the most pressing problems before our nation are today and will be for some time—jobs and taxes. To deal with these subjects in the short period allotted me, I must necessarily be brief and give you only an outline of my thinking.

Can America provide thirty million **new** jobs when the war is won? Can it assure our boys and girls who are fighting the war that employment will be awaiting them on their return? Can we be reasonable certain that all who are able and willing to work will have the opportunity to do so? Can taxes be drastically reduced? Can a 300-billion dollar war debt be financed and eventually paid off? Can our country stand expenditures of 30-billion dollars a year for Federal, State and local Government?

On the answers to these questions free competitive enterprise hinges. The future of our country, our whole democracy.

There is no escaping the fact that American businessmen must assume a large share of responsibility for solving these problems.

The Answers — Production, Jobs and Taxes

The answers are to be found in the same sources as the answers to the war problems—production, jobs and taxes. Let us make no mistake — production is the only basic source of jobs. Production is the only source of the goods which our people can and will buy. Production and its ensuing flow of income is the main source of taxes to maintain our Government.

Production and more production will insure jobs and more jobs—goods and more goods—at lower and lower prices—for wider and wider distribution. On this basis we must chart the future of American business, and American Government.

Production then is the crux of the problems of jobs and we are fortunate in having a very large pent up demand for consumer goods to stimulate immediate production of peace-time goods.

Joint Responsibilities Necessary

Who is responsible for this vital, all-important production?

Some of our people, unfortunately, think that management is solely responsible for it. Production should be the greater concern of labor and agriculture because they have by far the largest stake in its ultimate results, that is—wages for labor and prices for agriculture. Their stake in production is clear when it is realized that these groups are today receiving 79% of the total national income.

Sound business, full employment and good agricultural prices are inseparably bound together. Our labor partners and our agricultural partners must join with our capital partners, the stockholders, and their representatives-management, in a concerted effort for the greatest possible post-war production with its resulting full employment. These partners must also be equally concerned with taxes, which are sapping the vital strength from industry and will, if continued at present levels, force reduced employment and lowered farm prices.

Existing Taxes Prevent Sound Business

Before we can have dynamic business with its resultant full cultural prices, we must have financially sound business. But this is impossible as long as industry has pressed down upon it a crown of thorns in the form of taxes

—taxes which are not only oppressive but in many cases confiscatory.

—taxes which in 1943 will claim 55 billion dollars for State and Federal Governments.

—Federal taxes alone of 44.5 billions—which is more than the total taxes collected in the ten years from 1931 through 1940.

—taxes five times as great as those now carried by the people of England.

—taxes which are the greatest per capita of any nation in the world by a wide margin.

—taxes that stifle initiative and incentive.

—taxes that discourage the formation of new enterprise.

—taxes that do not allow a reasonable return to the venturesome.

—taxes that do not allow a fair reward for successful achievement.

—taxes that prevent the building of a competence for protection of one's family, home and children.

—taxes that encourage waste and unwillingness to work.

—taxes that no one can understand, including even the experts.

—taxes that destroy savings necessary to expanding enterprise.

—taxes that are disguised so as to bring changes in our social and economic way of life.

—taxes designed to take away from our people their greatest tradition—opportunity.

—taxes that discriminate against our people who are the owners of business corporations by first taxing the corporate earnings and then taxing the same earnings again when they are distributed in dividends.

Solvency of business is impossible so long as it is also subjected to unreasonable restraints, interference and competition of government.

Business solvency and greater production can be realized only if capital is available to build or rebuild plants, install machinery and buy raw materials to create and distribute new goods. It must be remembered that it requires an investment averaging nearly $6,000 for the employment of a single man in industry. There must, therefore, be ample opportunity for venture capital and for reasonable dividends on it.

Dividends are as much a part of the cost of doing business as the costs of labor or materials. And yet, while labor and material costs have been steadily rising, the capital return has been steadily declining. Wages and salaries this year will be 90% above 1929, while dividend payments will be 32% less.

Life-giving, indispensable capital in sufficient quantity will never flow through the veins of industry while it is stifled and restrained as now.

Free, competitive enterprise, built upon the American traits of individual initiative, incentive and thrift, the will and the desire to do an honest day's work for an honest day's pay—that is the only basis upon which the production we are seeking can be attained.

The greatest single deterrent to free competitive enterprise, to sound business economy, to production and therefore to jobs, is taxes. No one, including industry, objects to reasonable taxes. Industry expects to bear its full share of the war expense. It demonstrated this beyond doubt when the National Association of Manufacturers was the first to recommend to Congress last year a 40% combined normal and surtax, and 90% excess profits tax.

There is not the slightest possibility, however, that industry can continue to bear the present tax burden upon the cessation of war and to do the job of production which will insure employment for our men and women in the armed forces and the other millions now engaged in war work.

Three Essential Steps

If business is to accomplish these ends, the following steps are absolutely essential:

1. An over-hauling and simplification of our tax structure, in favor of three or four levies so simple that anyone can understand them and far below current levels.
2. A balanced Federal budget which will entail drastic reductions in governmental agencies and employes.
3. A plan for servicing and paying off the war debt starting immediately the war ends.

Present Tax System Is Vicious and Harmful

I want to point out some of the reasons why our tax structure must be overhauled and to suggest the basis for a new tax structure.

In the first place, present taxes approach the point of confiscation for many business firms and of diminishing returns for thousands of others. As a result, there has been practically no new enterprise in business now for several years. New enterprise has always been the backbone of progress in our country, and has been one of the largest sources of employment.

The facts show that more than half of our corporate business units operated without profit in 1941. Out of a total of over 500,000 corporations, 246,000 had no profits.

A great section of American business has been caught in a net of rising taxes, rising costs and dwindling earnings. This is the "white collar" class of business. From June, 1940, to June, 1942, there were 273,000 firms, mostly small businesses, which went out of business, an average of about 450 each working day.

The stockholder likewise is in a distressing plight. Eleven million of our people are the owners of corporations. Income tax returns show that at least 57% of all dividends go to those with incomes under $10,000. Stockholders have become our forgotten class.

So far as individual taxpayers are concerned, the squeeze has been particularly on that great white collar class, constituting roughly 20 million, or almost 40% of our total working population. Millions of these have had little or no increase in earnings since the war, while living costs and taxes have been constantly increasing. We must rectify their tax situation at the earliest possible moment.

All of this adds up to the fact that the present tax system is shortsighted, vicious and socially harmful. It destroys the fundamentals of our American philosophy and is certain to impair permanently the whole social structure if continued indefinitely. It will eradicate the middle class which has always been the initial victim of European dictators. It will destroy free competitive enterprise and erect in its place a collectivism which will mean the socialization of all business and all industry and complete regimentation for our people.

Our tax system must be revamped and revised so that every loyal American citizen does his share in maintaining and supporting his government by the payment of income taxes even though but one dollar.

We need to remember that everything our government buys —whether services or materials— the people must eventually pay for.

Simplified Income Tax Recommended

The first step in building a sound post-war tax program should be a simplified income tax system. This should be so simple that any individual or corporation could accurately figure its own taxes.

A simple personal income tax should be based on expert study of all the allowances for expenses, contributions and other payments, and all the exemptions for marital status and dependents. All these deductions, in the interest of simplicity, could easily be compiled for the entire nation and an average tax computed which, for all practical purposes, would be just as equitable as today's perplexing method. This tax could be expressed as a dollar amount.

For example, the individual tax, using hypothetical figures, might well be $10 on incomes of $1,000 to $1,200; $20 on incomes of $1,200 to $1,500; $40 on incomes of $1,500 to $2,000; $100 on incomes of $3,000 to $4,000, etc., up to the highest brackets.

Then an individual would only need to know the amount of his gross income to know automatically the amount of his tax.

This simplified system would make it possible for Congress merely to raise or lower the dollar rates to realize the amount necessary for government operation without going through the present unsatisfactory yearly debates and arguments about further sources of income.

It is entirely possible that such a simple tax plan could also be worked out with regard to corporate taxes.

This simplified system of taxation need by no means cause a lower tax yield. Instead it would mean greater opportunity for production, for venture capital, for reasonable dividends, for more wages and good agricultural prices with a resulting higher national income. It would eliminate most of the present confusing technical amendments, rules and regulations.

The only additional taxes to those on corporate and individual incomes which I see necessary are a customs tax, a reasonable inheritance tax, a social security tax and a "special war refunding tax" of which I shall speak later.

We should profit in governmental administration from the experience of business with relation to high production, jobs, prices and consumption and the resulting revenue to government. Business long ago proved that low prices are only possible with high production. Therefore, I suggest that government encourage higher production by enacting now a special tax incentive for those who employ a greater number than they did in the pre-war period to become effective at the termination of hostilities. The incentive should be in relation to the increase and to apply to both business and individuals.

It is obvious that the present excess profits tax must be terminated immediately at the conclusion of the war if business is to carry the load of reemployment and reconversion. The tax should terminate at the end of the calendar year within which hostilities cease.

Preferred stock dividends should be accorded the same tax treatment as interest payments—they both should be considered as final charges. The one encourages the creation of debt, the other would encourage the creation of capital.

Government Budget Must Be Balanced

A balanced Federal budget is absolutely essential to any sound post-war economy.

Unless our Government does operate on something at least approaching a balanced budget during the next few years, inflation is a certainty. The real danger of uncontrolled inflation, in fact, is after the war is over.

Government ventures which in wartime and during the depression were attempted as expedients, must be avoided at all mosts.

For the good of the nation and for the good of our people, I strongly urge that the government payroll and other expenditures be drastically reduced so that the Federal budget may be brought somewhere near the point of balance.

It is sheer nonsense to assume that Government can continue to pile up debt indefinitely any more than an individual or a business.

Right here let me say it is the solemn duty of every business man in the country to know about his government, to know what is going on in its fiscal policies, to be aware of the possible results of such and to make their opinions known. To sit back and not know what is going on or to do nothing about it, is sheer disloyalty to this nation of ours and to the high ideals for which it stands. We have no place in our midst for slackers nor for those non-Americans who are busily at work interfering in our political life and trying to change our way of life and substitute therefore some foreign ideologies unwanted by us—they are fully aware that within the scope of the tax law lays the means of accomplishing their purpose. In fairness to them, and ourselves, let us say desist at once or leave our shores.

Transaction Tax for War Debt Refunding

It is high time we recalled to the minds of some of our leaders an important characteristic of our American way of doing things, namely, the sanctity of contract. A debt, incurred with the consent of the debtor (and I firmly believe most of the present war debt has been and is being incurred with the approval of our people) is a sacred obligation and the people expect that it shall be paid. The idea advanced by certain "experts in Government economy" that the war debt is no debt because "we owe it to ourselves" is nothing more or less than damn nonsense and collectivist propaganda. It is an inspired hoax which is vicious to say the least. Every loyal American has it in his heart and soul to pay his own personal debts and our Government must not be guilty of scotching this principle.

Yes, we must pay the war debt. Every bond purchased by every boy, girl, worker, soldier, widow, business man or firm—must be redeemed in full. And this repayment rests upon maximum production of goods, establishment of new industries and maximum individual efficiency both in management and labor.

But the only way we are going to meet government obligations is to plan **now** for the servicing and ultimate repayment of it all. We should provide a special source of revenue for this purpose, to be used for this alone and not intermingled with any other funds. It might be known as the war refunding tax. For this purpose, I suggest a 1% transaction tax to be applied to every transaction throughout the land — carefully devised to avoid pyramiding, to be collected by the use of stamps.

A careful examination of the factors involved indicates that such a tax would raise approximately nine billion dollars a year.

It is estimated the debt at the end of the war, plus necessary continuing expenditures for a period after the war, will be around 300 billions of dollars. At 2%, this would mean interest charges of six billion dollars annually. Add to this the payment of three billion a year on principal and we will need nine billions a year for war refunding for the next few years—over the 100 year period there will be required an average semi-annual payment of $3,007,500,000.

My strong conviction is that we cannot begin too soon to draft a simple and practical set of peacetime Federal tax provisions. By doing so now we can do away with the present hodge podge immediately when hostilities cease and replace it with an understandable law which will encourage and reward industry and initiative.

30 Billion All-Government Budget

It is my firm belief that we can have necessary peacetime govern-

(Continued on page 2435)

Lots of Post-War Jobs in this simple ABC

American railroads are carrying the greatest load in history. Wear and tear on tracks, bridges, locomotives, cars and other equipment is terrific.

Material and labor for needed maintenance are not obtainable now beyond the minimum necessary for safe, continued operation. Consequently the railroads are wearing out 25 per cent faster than they can be restored.

Money from current revenue should be saved to pay for the needed repairs and replacements when material and labor are available; meanwhile invested in war bonds for war purposes.

But the tax law forbids. If money for needed repairs cannot be spent as it is earned it is considered "profit" and practically taxed away.

But it isn't profit. It is the life-blood of the railroads. Without repairs and replacements any railroad would cease to run.

Congress has been asked to recognize these facts and permit the railroads to put aside sufficient revenue to replace the things that are worn out in earning that revenue.

Favorable action would mean thousands of jobs for returning fighting men in the task of restoring railroads, and in the mills, mines and forests that will furnish material for the work. It would mean strong post-war railroads.

To tax this "repair money" as profit because the work cannot be done now threatens the backbone of American transportation.

BUY UNITED STATES
WAR BONDS AND STAMPS

PENNSYLVANIA RAILROAD

Forecasting The Management Problems Of 1944

(Continued from page 2414)

stir up any violent reactions," Mr. Cherne stated that "it will be accepted as the inevitable short-run consequence of partial reconversion." "Management," he went on to say, "will not be blamed for the occurrence of unemployment at that time . . . but management will already be on trial just the same. Its failure in the second half of 1944 to lay the groundwork for increased employment opportunities after the defeat of Japan . . . and the surrender of Germany, will certainly cause unrest and perhaps even serious convulsions in our economic and polical body." "Thus," he said, "thorough, comprehensive and effective post-war planning by business, both collectively and individually, becomes the foremost responsibility of management in the coming year."

Touching upon the subject of inflation, Mr. Cherne declared that "the second challenge to management will come from the inflationary spiral." According to Mr Cherne, "present indications point very strongly to the probability that the anti-inflation dam is going to be breached early in 1944. The fissures will be small at first, but they will widen and widen rapidly under the repeated onslaughts that will come from wage-earners, farmers, businessmen and other groups. These pressures," he added, "will grow in intensity as the defeat of Nazi Germany grows more certain."

Stating that "the spiral can be checked only if there is firm determination on the part of the Legislature and the executive to apply drastically and unhesitatingly strong measures," Mr. Cherne said that "unforuntately, I can't be optimistic about such prospects. Knowing the political climate in Washington, I fear that the inflationary spiral will be permitted to run its course."

In his comments, Mr. Cherne observed that "if we are to emerge from the war into an era of sustained high level of production, then jobs are the key." He went on to say, "these jobs will have to be provided by business management to assure itself of a market able to absorb our national output. These jobs will have to be provided by business management if free enterprise is to continue as the driving power in our economy."

"There is no doubt that the American people are still overwhelmingly in favor of private business meeting this responsibility" [absorbing the pressure of disemployment], it was asserted by Mr. Cherne, but, he said "there's no doubt in my mind that a large army of unemployed will turn its back on private business, and insist on action by the National Government if private enterprise doesn't come through."

Full Text of Mr. Cherne's Address

During the past two years American enterprise has performed the almost incredible task of converting our nation from a militarily inferior power to the strongest and best armed force in the theatres of war.

Management and labor have fully justified the expectations and exacting demands of our military leadership. Only an Olympian observer or a future historian can fully appreciate the accomplishments in converting from a civilian economy to a total war economy in the short span of two years. Occasional strikes, frictions, and managerial incompetence are but scattered, isolated flaws on an imposing canvas of overwhelmingly impressiveness.

Anyone who attempts to forecast the economic events in 1944 is, therefore, strongly tempted to take an optimistic view. It would please our ego to assume that our wartime unity of purpose, singlemindedness of action, and unqualified determination will continue undiminished even after victory in Europe is won.

Such a forecast for 1944 would be neither true to facts nor cognizant of the forces operating beneath the surce of our economy.

A sound prognostication of coming events cannot be based either on a mere projection of the past trend nor on wishful thinking. To be acceptable it must envision events that are either certain to happen or which will occur with a high degree of probability. It is against the background of such probable events that we can trace in broad outlines the scope and nature of the problems which will confront business management.

Let me summarize at this point the events which in my opinion will occur next year. They are the events that will form the backdrop against which American business management will be called upon to perform its responsible tasks.

First, the only event that will happen with certainty in 1944 is the election in November.

Second, less certain, but highly probable, is the defeat of Germany.

Third, the inflationary spiral will get into motion again shortly after New Year.

Fourth, manpower and womanpower shortage will grow in intensity during the first half of the year but will lessen perceptibly during the second six months. This trend will be paralleled by an increase in the number of men discharged from the services either because of injuries suffered in battle, physical incapacities, or over-age, and some decrease in the size of the services after the defeat of Germany.

Fifth, growing labor unrest in the wake of reconversion. Its symptoms will be a revival of jurisdictional disputes, a fight for the preservation of wartime gains in rates of pay, and a demand for a reduction in hours of work.

Sixth, the adaptation of the wartime priorities system to the needs of an economy partly released from the requirements of total warfare. This means, in the phraseology of leading government officials, "priorities in reverse."

Seventh, a gradual acceleration in the rate of cutbacks of war orders accompanied by a shift in the weapons of war that will still be manufactured.

And last, but not least, a political climate loaded with dynamite because many decisions on important economic issues will be left hanging in mid-air. They will be left hanging in mid-air for the simple reason that partisan interests and conflicting political ambitions tied in with the November election will prevent real action.

In summary, 1944 promises to be a year in which we shall witness the defeat of Germany, the revival of economic frictions, and a widening gap between the legislative and executive branches of our government.

Thus, management will face, for the first time since Pearl Harbor, a host of new challenges. Some of these challenges will be unprecedented. They will be the long-range product of the war itself and its impact on our economic thinking and vision. Some challenges will be the temporary consequences of an economy converting from total war to a partial war footing. And some challenges will represent re-emergence of pre-war problems that were unsolved on the day of Pearl Harbor and have been suspended during the period of all-out war.

Let me now trace for you the details of the pattern of managerial problems that in my opinion lies ahead.

First, the war has been directly responsible for a world-wide acceptance of the belief that nearly full employment of manpower and maximum utilization of productive capacity are within the realm of the possible. The records of war production are an eloquent testimony to this fact. In every country governments have succeeded, under the terrific pressure of war requirement, in reaching a level of production and a rate of employment unprecedented in the history of each of these countries. The old nineteenth century economic doctrine that the weapons of war can only be forged at the expense of the civilian plowshare has been disproven. We've shown that we can produce guns and butter.

Look at our own current record. In the year 1943 we shall have produced a gross national product of almost $190,000,000,000. After full allowance is made for the increase in the price level since Pearl Harbor, this still represents more than $150,000,000,000 in gross output or an incredible increase of 50% above our total pre-war output. And all that within the short span of two years.

At the same time, our volume of consumers' goods produced in 1943 will be greater than in 1941. We have, in other words, accomplished the herculean task of superimposing the war economy upon a record-level civilian peace economy. While creating the greatest arsenal of military weapons in the history of this or any nation, we have succeeded in providing for our civilian population a greater volume of the necessities of life and semi-durables than we ever produced in our most prosperous peacetime years.

Fifty-three million men and women gainfully employed and 10,000,000 more in the armed services have witnessed the miracle. They have seen how American ingenuity translated into reality a blueprint which a short two years ago was regarded as fantastic not only by our enemies, but also by quite a few in our own midst. Will it surprise you if these 63,000,000 men and women at war's end demand that we do almost as well in peace as we did in war in creating opportunities for employment and a volume of output commensurate with our present accomplishment?

True, this opinion will not become fuily crystallized in the second-half of 1944. The spectre of 4,000,000 unemployed at the end of 1944—the estimate of the Research Institute—will not stir up any violent reactions. It will be accepted as the inevitable short-run consequence of partial reconversion. It will be accepted with many mental reservations. Management will not be blamed for the occurrence of unemployment at that time—at least, not yet. But management will already be on trial just the same. Its failure in the second half of 1944 to lay the groundwork for increased employment opportunities after the defeat of Japan—which will probably occur between 12 and 18 months after the surrender of Germany—will certainly cause unrest and perhaps even serious convulsions in our economic and political body.

Thus, thorough, comprehensive and effective post-war planning by business both collectively and individually becomes the foremost responsibility of management in the coming year.

The second challenge to management will come from the inflationary spiral. Present indications point very strongly to the probability that the anti-inflation dam is going to be breached early in 1944. The fissures will be small at first. But they will widen and widen rapidly under the repeated onslaughts that will come from wage-earners, farmers, businessmen and other groups. These pressures will grow in intensity as the defeat of Nazi Germany grows more certain.

At the same time, complaints about economic inequalities that have been more or less dormant during the crucial years 1942 and 1943 will echo louder and louder across the political arena. And they will find a receptive ear because of the approaching election.

Here I come to one of the paradoxical and, at the same time, most serious features of the inflationary spiral. As long as inflation is nothing but a future possibility, fear of its consequences is usually sufficient to keep everyone in line. Neither individuals nor groups are willing to start the avalanche. But, break the line at any one point, set the spiral in motion, even though slowly, and a mad scramble follows. Every group stampedes for the inflationary bandwagon; caution and reason are cast to the wind. Everyone tries to salvage for himself a maximum of what he believes to be anti-inflation protection by pushing for as much of an increase in his price as he can possibly obtain. That he thereby accelerates the rotation of the spiral and its destructive effects escapes him.

The spiral can be checked only if there is firm determination on the part of the legislature and the executive to apply drastically and unhesitatingly strong measures. Unfortunately, I can't be optimistic about such prospects. Knowing the political climate in Washington, I fear that the inflationary spiral will be permitted to run its course.

Inflation and all that it implies poses, therefore, the second set of problems for management. In fairness to its stockholders and investors, management must protect the real value of its equity and assets. In fairness to its workers, it must adjust their wage scale to the declining purchasing power of the dollar. In fairness to the market, it must keep prices from running wild.

The charting of a safe course through the dangerous reefs of inflation will be made more difficult by the fact that Germany's defeat will in all likelihood be followed by a decline in business activities in a number of our economic segments. Areas which have been fully converted to war production and which will suffer a severe cut-back in orders will experience a rising volume of unemployment, shrinking markets, and unusued capacity.

Other war areas will be able not only to maintain their present level, but to intensify their production schedules because of the shift in war demands. Expanding prosperity in some parts of the country, maintenance of the present high level in other parts, and depression conditions in still other parts—such is the economic outlook for the second half of 1944.

The third challenge will arise in the labor market. Until Germany is defeated, both manpower and womanpower shortages are apt to increase. Manpower will become an increasingly more serious problem as the Armed Services approach the limits of their scheduled sizes. At the same time, shortages in the available supply of women will become more acute. It is unfortunate but true that women have been quitting jobs in industry at a faster rate than replacements have been coming in.

This tendency set in with the defeat of Italy and has been accelerated by the favorable news from the various theatres of war. The outward movement of women from industry promises to continue at a faster pace after the defeat of Germany.

Manpower help through a national labor draft law is unlikely. It will be up to management to do everything in its power to stop the withdrawal of women. By now it should be obvious that the wheels of municipal governments turn far too slowly to be of any material assistance in this job. Although the hour is late, it will still be possible for management to adopt in the first half of 1944 some measures that will enable housewives, mothers, and single women to do a full job in industry with less inconvenience than at present.

After the defeat of Germany, labor problems will increase rather than diminish. The number of wounded soldiers who will be demobilized will grow rapidly as the second front is opened up. Management has not only the legal but the moral and inescapable duty to provide employment opportunities for these returning warriors who have fought our battle. These men will pose a problem for personnel management that calls for the exercise of tact, understanding, and full cooperation in facilitating and expediting the readjustment of these ex-soldiers to industrial life.

After the defeat of Germany the rate of demobilization will probably be stepped up quickly. These men, too, although not wounded in battle, pose a problem of readjustment. For them, too, an effective solution must be found. There is no precedent in our history for the number of men who will return from Army life to industrial life. Nor is there a precedent for the determination of these men to obtain jobs rather than relief, to sell their skills at the work bench rather than on street corners.

The fourth challenge will come from the dismissal of workers in war industries and the reduction in working hours. These are sure to follow our victory in Europe. They will cause both labor unrest and jurisdictional disputes. While everyone knows that weekly pay envelopes in many industries have increased very substantially during the war, it is no longer a secret that trade unions and other labor organizations will fight hard to retain their wartime gains in basic hourly rates. They will also fight with equal stubbornness for the preservation of their jobs.

If we are to emerge from this war into an era of sustained high level of production, then jobs are the key. These jobs will have to be provided by business management to assure itself of a market able to absorb our national output. These jobs will have to be provided by business management if free enterprise is to continue as the driving power in our economy. It is wishful thinking to assume for one single moment that continued large-scale unemployment will be accepted any longer as the inescapable consequence of an immutable economic law.

You, the managers of American business enterprises, should and must realize, even if many of our economic theorists have not yet done so, that two basic laws that were widely hailed in the nineteenth century have been repealed by the irresistible forces of economic life in the twentieth century. I am referring to Malthus' law of population and the law about the inevitability of the business cycle and its by-product: unemployment.

These two laws have been accepted for more than a century as inexorable. They have been looked upon as natural laws above and beyond the control or power of man.

Malthus advanced the view that while the food supply could be increased in an arithmetic ratio—1, 2, 3, 4, 5, etc.—population had the tendency to grow in a geometric ratio—2, 4, 8, 16, etc. Thus, Malthus concluded that population would grow at a far greater pace than the food supply. The only major checks to this unbalanced ratio were seen by Malthus in the periodic recurrence of wars, misery, disease: in brief, a high mortality rate.

The second law said that in a

dynamic economy dominated by free private enterprise, the periodic ups and downs of the business cycle are the price which we must pay so that the strongest may survive and the weaker elements in the business community be eliminated. Unemployment flows as the consequence of this process of elimination of the inefficient and inferior producers and competitors.

To be sure, those who formulated these laws were not at all sanguine about them. However, they saw no other alternative except the absence of private enterprise. Since they looked upon the presence of private enterprise as infinitely more desirable than any other economic system, they were willing to accept insufficient food supply and its consequences, as well as unemployment and its effects.

Hitler has repealed the law of Malthus, and the law of unemployment.

Hitler will soon have disappeared both from the political and economic stage of the war. But the fact and the record will remain after his exit. The fact is that Hitler was one of the first men in responsible public office to recognize that the Malthusian law of population no longer applied. He realized that it was not the shortage of food supplies which led to wars in the twentieth century, but the presence of unused manpower. He skillfully took advantage of the fact that a large army of unemployed may be easily induced to don uniforms, forge the weapons of war, and seize the productive capacity of other countries, thus creating additional employment opportunities for the conquering nation.

Hitler next realized that the unemployed can be put to work by the State even though their accomplishments were not "profitable" as measured by the yardstick of free enterprise.

Thus, the Fascist State represents a functional disproof of the two nineteenth century laws. We can see clearly now that a third World War will become inevitable and will be far more brutal than World War II unless available manpower is used constructively in creating goods and services for the satisfaction of human desires. Unless we accomplish this task, no economic law, no social philosophy, no man or group of men on earth can stop another holocaust.

The second lesson we must learn is that the national government cannot stand passively by while the business cycle takes its own course and creates ever more violent fluctuations. And it doesn't make any difference what the political composition of that government happens to be. The national government in the twentieth century cannot afford either politically or economically to fall from a record level of prosperity into the depths of depression and unemployment. To the same degree to which private enterprise fails to absorb the pressure of disemployment, exactly to the same degree will the national government be compelled to provide work in one way or another. Neither slogans nor refresher courses in past history will lesson the insistence of the disemployed for jobs.

There is no doubt that the American people are still overwhemingly in favor of private business meeting this responsibility. But there's no doubt in my mind that a large army of unemployed will turn its back on private business and insist on action by the national government if private enterprise doesn't come through.

But if jobs are the key to economic reconstruction after the war, then progressive and sound labor relations are the handle on the door. Labor has gained both in social legislation and economic experience. It is now a force far more organized than ever before. It is rapidly maturing. And in many areas it still has a distance to mature.

One fundamental lesson that must be learned by both management and labor is that nothing which restricts production or prevents consumption would be helpful or desirable to the nation. Flowing from this is the certainty that conflict is stagnation.

None of the potential powder barrels I've mentioned need necessarily lead to an explosion. Consider them time bombs that are now deeply buried in our industrial structure. They can be made harmless through skillful handling and removal of the fuses. They certainly cannot be made safe either by being ignored or kicked around.

The fifth challenge will flow from the partial reconversion to civilian output. Present indications are that the peak in war production will be reached around March 1944, with output at a monthly rate of about $8.5 billions. Following this peak, the rate will be cut down until at the end of 1944 our monthly volume of war production will be in the neighborhood of $6.5 billions or even less. At the same time there will be a notable shift in the type of war goods produced. We already have sufficient supplies of light equipment, ammunition, tanks, trucks, and similar materiel to maintain our forces at battle strength. From now on the emphasis is going to be upon replacement and repair parts for this type of equipment.

However, we shall probably continue our ship-building program and even expand it with a view to the requirements of the Pacific war. For the same reasons, we shall make some shifts in our plane program in the direction of heavier long-range bombers and fighter planes.

It is very probable that war industries on the Pacific Coast will obtain not only a larger percentage share in the volume of war production than they now have but also a larger absolute amount of dollar orders.

However, it would be fallacious to conclude that the reduction in our war output will immediately and automatically release a corresponding quantity of critical materials for civilian production. Such a development appears extremely unlikely.

Instead, there will be a more than proportionate release of raw materials that go into the manufacturing of military soft goods. But even these raw materials will not be released indiscriminately. Plans are rapidly maturing in Washington's official circles to initiate a system of "priorities in reverse" immediately after war production declines from its peak.

Under such a system, raw materials will be released for civilian production on the basis of two considerations. First, is the end product highly essential for civilian consumption? Second, and this is likely to be the more important criterion, how many man hours of work will be created by a given unit of the raw material to be released?

The sixth challenge to business management will arise in the field of foreign economic relations. Until Pearl Harbor our international economic pholosophy was one of isolationism. The barricades of a protective tariff had been accepted for more than a century as the foundation of a sound American economy. At least they have been accepted in this light by our legislature and the average man in the street.

It is ironic and paradoxical, however, that Big Business, although doing extensive lip service to the doctrine of political and economic isolationism, has long been internationally minded. Big Business discovered the "One World" long before Wendell Willkie took his trip.

Pearl Harbor has taught us that poltical isolationism will not stem the tide at our doors. The war itself should teach us that we shall not be able to enjoy economic prosperity in this country if the rest of the world remains in ruins. The billions of dollars worth of securities which the American public purchased so eagerly in the 1920's, and which are now almost worthless, must serve as a reminder that foreign trade is a two-way affair. To export we must import. If we want our customers abroad to buy from us we must enable them to sell to us.

If you accept these premises, then the conclusion is inescapable. We shall have to make those adjustments in our economy that will enable foreign nations to find an outlet in our market for goods they are able to sell to us and with which they can pay for the purchases made from us. To accept such a program does not imply that we are willing to become a global philanthropist. It does not involve a philosophy of charity. Basically, it is nothing but a philosophy and a program of hard-boiled, realistic economic thinking. It is far more expensive for us to become a relief agency of unlimited duration than to turn quickly into a two-way trader. It is far less expensive to develop a two-way traffic in goods and services than to prepare for a one-way traffic of soldiers and ammunitions and a return trip of dead heroes.

1944, therefore, will be a crucial year. Few, if any, of the problems that I have outlined will or can be solved in a short span of twelve months. But we can either provide a sound foundation for a gradual and healthy solution; or we may plant the seeds for renewed international disputes and another world war. We shall either create a climate in which frictions can be dissolved and basic issues sensibly and reasonably examined; or we shall charge the political and economic atmosphere with so much additional electricty that another storm may break over our heads far more devastating than anything we have ever experienced.

Prompt Mailing For Christmas Delivery Urged

Postmaster Albert Goldman of New York made the following announcement on Dec. 6:

"Mailing of Christmas gifts in November were insufficient to assure that deliveries of all gifts can be made on time, although the public is cooperating better than last year, reports to the Post Office Department indicate.

"Those who mailed in November and the first few days of December can feel certain that their gifts will be delivered by Christmas. If mailings are completed within the next few days, the parcels will arrive on time; but every day's delay by mailers now means much less likelihood that delivery can be made by Christmas.

"Transportation facilities, burdened as never before by wartime demands, cannot handle on time a late flood of gifts and greeting cards. Even a year ago, when the burden was not so heavy, many gifts arrived after the holidays because of a late rush of mailings. This year the situation is much more serious and mailings must be completed at once or many will be disappointed on Christmas.

"Reports from post offices show that a large number of gifts are now being mailed, and marked "Do not open until Christmas". However, these constitute a rather small percentage of the total number sent each Christmas season. Unless mailings are practically completed in the next few days, the great burden on transportation facilities makes it very likely that deliveries cannot be completed by Dec. 25."

Hughes Decision Stuns Dealers

(Continued from page 2421)

I dare say there are more than enough laws on the statute books of every state in the Union to fully and properly prosecute any and all sharp-shooting. Again I ask, why must the industry be persecuted in order to get at a small handful of unscrupulous dealers?

Incidentally, this letter of protest has not been written because we will be affected by this 5% rule because such is far from the case. The fact is that we do very little unlisted business, and practically none as principals. Our service charge on stocks, with minor exceptions, parallels NYSE commission rates. Our service charge on bonds is graduated from ⅛ to 1½ points maximum. Admittedly, we are not getting rich, but due to our low overhead it is possible for us to operate at a profit on our scale of service charges. However, I doubt that a great segment of the industry could break even operating on our basis.

It is my guess that unless the NASD turns about, its membership will continue to dwindle and a new organization, which will truly represent the industry, will come into being. We would gladly support such an organization. The public, and a vast majority of the securities dealers are tired of being kicked around.

I regret that we must ask you not to print our name, city or state. Keep up the good work.

DEALER NO. 97

While the matter is still current I want to write and tell you that I think you are doing a grand job in the matter of the 5% profit limitation.

Apart from bringing the matter down to its fundamentals so that even the most superficial reader can understand it, I think you show a high degree of courage in tackling a matter of this kind.

Because of the "interests" at which some of your shafts are directed, I would guess that you might suffer in advertising revenue from some of the so-called big houses.

Your position is in direct contrast with that of the other trade papers which seem to be leaving this "hot potato" strictly alone for reasons that I can only surmise. I only hope that the small fellow in the industry will understand this angle and when your solicitor drops around in the future, he recognizes this in making up his advertising budget.

Like most of the dealers who have written you on this subject, I too am fearful of reprisals, so regretfully I must ask you not to use my name.

DEALER NO. 98

What do they mean, asks a large Stock Exchange firm, by riskless transactions? Every day we open our doors we are risking $7,000, the amount of our overhead.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE December 10, 1943

$42,000,000

Utah Power & Light Company

First Mortgage Bonds, 3¾% Series due 1968

Dated December 1, 1943 Due December 1, 1968

Price 100.625% and accrued interest

Copies of the Prospectus may be obtained from such of the undersigned as are registered dealers in securities in this State:

The First Boston Corporation

Blyth & Co., Inc. Goldman, Sachs & Co. Harriman Ripley & Co. Incorporated

Kidder, Peabody & Co. Mellon Securities Corporation Smith, Barney & Co.

Stone & Webster and Blodget Incorporated Union Securities Corporation Coffin & Burr Incorporated

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The Illinois Company of Chicago Bosworth, Chanute, Loughridge & Company

Perrin, West & Winslow, Inc. Ure, Pett & Morris

The Critical Period Of Transition After V-Day

(Continued from first page)

problem discussed in his speech can only be solved by the rapid attainment of higher levels of production than we have ever known in times of peace." "If," he said, "we can achieve such production levels the employment problem will largely take care of itself, the great threat of post-war inflation will be eliminated or greatly lessened, and the problem of balancing our Federal budget and of carrying the tremendous load of governmental debt can be solved."

Mr. Fennelly cited as "the first problem we shall face after the defeat of Hitler will be a wholesale termination of outstanding war contracts" and the settlement of claims in connection therewith, and he emphasized that "speedy settlement of terminated contracts will be necessary to free working capital and to clear plants of wartime inventories and equipment." "We are," he said, "tending toward the conclusion that perhaps the most satisfactory immediate policy for the disposition" of government-owned plants and equipment "may be that of a simple leasing arrangement with possibly the right to apply the rental paid against eventual purchase price." He further said that "we must not forget that our basic objective must be to get these plants into operation under private management at the earliest possible date."

Mr. Fennelly pointed out that "business must be prepared to assume its fair share of the post-war liquidation, particularly if it wishes to ask for a similar liquidation of wartime wages." "Any other policy," he noted, "will slow down production and increase the threat of inflation."

With regard to post-war taxes it was stated by Mr. Fennelly that "I am sure we will all agree that if business is to do its full share in the attainment of high levels of employment and production there is a prime need for tax reform which will remove the present impossible burden which has been placed on business enterprise," and he expressed himself as "very hopeful that we will be able to publish in the near future a series of tax recommendations which will appeal to you all as eminently sound and constructive."

Mr. Fennelly foresees an annual Federal budget requirement of around $20,000,000,000 for the post-war decade but believes that "with a high level of production we can carry the tremendous load of governmental debt and balance the budget, while achieving a substantial measure of tax reduction."

The address of Mr. Fennelly follows in full:

The title of my address may suggest to some of you that I am looking forward to a sudden termination of all hostilities at one given moment, similar to the "cease firing" order which occurred at 11 a.m. on Nov. 11, 1918. Such is not the case. At present all the indications point to a termination of the war in Europe at a date considerably earlier than the war in Asia.

As a result, many of our statesmen and business leaders have become fairly complacent on the assumption that we shall have a fairly easy period of transition between the defeat of Hitler and the final crushing of Japan. Gentlemen, I can assure you that is a highly dangerous fallacy. Army experts now estimate that, after the end of the European war, we may be forced to cut-back our munitions production by approximately 80% and still have enough to fight a full-scale war against Japan. Our stock of finished munitions will be so vast that some experts even speak of our ability to fight a long war against Japan out of accumulated inventories. This picture may prove to be somewhat exaggerated but it serves to emphasize the fact that the major shock to our economy will come immediately after the end of the fighting in Europe, and not at some later date after Japan has been crushed. In other words, we shall face a critical period of transition as soon as Hitler throws in the sponge, and we must make our plans accordingly.

To Lift Production to Record Peace-time Level

Col. Chevalier has just told you how we are studying the problems of transition in the Research Division of C. E. D. He has also told you that the one basic objective of all of these studies is to get our peace-time industrial machine into high gear at the earliest possible date. The importance of this objective cannot be too strongly emphasized. Practically every specific post-war problem which I shall discuss today can only be solved by the rapid attainment of higher levels of production than we have ever known in times of peace. If we can achieve such production levels the employment problem will largely take care of itself, the great threat of post-war inflation will be eliminated or greatly lessened, and the problem of balancing our Federal budget and of carrying the tremendous load of governmental debt can be solved.

I wish to emphasize again how vital will be the time factor in the solution of these problems. Since Pearl Harbor we have recognized that every day saved in the expansion of war production is of the utmost importance for the achievement of victory. We have gladly expended many billions of dollars for the sake of the utmost speed in our war effort which could undoubtedly have been saved if we had been able to do the job in a slower and more orderly fashion.

The stakes for which we shall be playing in our efforts to win the peace will be no less than those of the war, and speed will be every whit as essential. Neither business nor government can afford to be guided by cautious, penny-pinching tactics if the job is to be done.

Terminating War Contracts

The first problem we shall face after the defeat of Hitler will be a wholesale termination of outstanding war contracts and the settlement of claims in connection with such terminated contracts. As a matter of fact, this problem is already at hand. I am sure it will interest you to know that the total dollar value of contracts already terminated is considerably in excess of the dollar value of all contracts terminated after the end of the first World War.

In furtherance of our basic objective of attaining high levels of peace-time production at the earliest date we naturally believe in a prompt cancellation of all contracts which are no longer needed for the war effort. Thus, we believe that any policy of continuing to produce unneeded war goods merely for the sake of maintaining employment will slow down the reconversion of industry. Instead, we are convinced it will be far less costly from the standpoint of the national economy to cancel these contracts promptly and to provide adequate unemployment compensation for workers thrown out of employment.

Speedy settlement of terminated contracts will be necessary to free working capital and to clear the plants of wartime inventories and equipment. A rapid unfreezing of working capital will be of particular importance for many thousands of small businesses which will have their limited financial resources so tied up in war work that they will be unable to convert to civilian production until their working capital is released.

Over Million Contracts and Sub-Contracts

Effecting speedy settlement of more than 100,000 prime contracts and more than 1,000,000 sub-contracts will be a task of immense proportions. The C. E. D. has been studying this problem for several months and has recently issued a little pamphlet containing recommendations for new legislation designed to expedite the release of business funds now tied up in war production. I shall not take your time now to discuss these proposals but shall be glad to furnish copies of our report to any of you who are particularly interested in the problem. We are convinced that unless drastic action is taken by the Congress in this connection the reconversion of industry may be disastrously delayed.

Government Plants and Surpluses

Another important problem we shall face at an early date is that of disposing of government-owned plants and wartime surpluses of commodities and equipment. The C. E. D. is now engaged in a study of this subject and as yet has established no official policies in this connection. With regard to the disposal of government plants I can assure you, however, that our policy will be based on the assumption that the only proper objective will be to get these plants into operation under private management as rapidly as possible. In this connection I can also point out to you that the problem of disposing of these plants quickly by sale may be exceedingly difficult to work out because if they are sold at a price low enough to justify their purchase on a business basis the political outcry is likely to be terrific and in the long run might be very harmful to business. We are, therefore, tending toward the conclusion that perhaps the most satisfactory immediate policy for the disposition of the plants and equipment may be that of a simple leasing arrangement with possibly the right to apply the rental paid against eventual purchase price.

For Private Management By Earliest Date Possible

Above all, we must not forget that our basic objective must be to get these plants into operation under private management at the earliest possible date and not permit ourselves to become involved in long controversies over detailed methods. I realize that many businessmen are concerned over the possibility that the Federal Government may wish to operate many of these plants in competition with private business. At present, however, I am sure there is very little cause for concern in this direction. In many discussions of this subject in Washington, I have found no real sentiment in favor of such a plan. The only danger that I see in this connection might arise in the event of a prolonged failure to get these facilities into operation coupled with a long period of mass unemployment throughout the country. Under such circumstances, there could well develop a strong demand on the part of unemployed labor for government operation.

Surplus Machinery and Materials

The problem of disposal of surplus machinery and materials also presents serious difficulties. We all remember the disastrous effects on business of the dumping of war inventories at the end of the last war, and very few of us, I believe, wish to repeat that experience. Nevertheless, I think it is very important to bear one fact in mind. Businessmen cannot afford to insist on liquidation of wages and other factors of production and at the same time refuse to accept any liquidation in the prices of their own particular products. Again the objective must be to reach high levels of production as rapidly as possible and this will be impeded if business insists on a policy of holding off the market wartime inventories and machinery which might otherwise be used. I think you will agree that the only sound policy for a business firm which has some goods which cannot be sold at the original sale price is to mark them down to a price where they can be sold and move them out. These goods must be moved into circulation as rapidly as can be achieved without adopting a chaotic policy of wholesale dumping. In other words, business must be prepared to assume its fair share of the cost of post-war liquidation, particularly if it wishes to ask for a similar liquidation of wartime wages. Any other policy will slow down production and increase the threat of inflation.

Demobilization and Civilian Occupations

Perhaps the most basic problem of all in the transition period will be that of effecting an orderly demobilization of our fighting forces and of the transfer of civilian workers from wartime production to civilian occupations. I have seen a great many varied figures as to what this transfer will mean in terms of human beings and I am not sure that anyone has figures that can be relied upon. It seems likely, however, that somewhere between 20 and 30 million individuals or 40% to 50% of our total working-fighting forces will be involved in occupational changes when the war ends. One of the most difficult problems we shall have to face in this connection will be that of coping with particular geographical areas where the distress is likely to be especially acute. As you doubtless realize, there are many communities which have had mushgroom growth during the war because of the enormous expansion of the aircraft and shipbuilding industries. The readjustment problems of such communities are certain to be terrific and some very difficult shifts in population are clearly indicated.

The C. E. D. is now engaged in a study of manpower demobilization problems but I am sure we shall find no easy answers. These problems will have to be tackled from many different angles at the same time. The armed services are already hard at work on plans looking toward an orderly demobilization of their forces. The real problem in this connection, however, is whether or not the American public will tolerate any plans for an orderly demobilization. When the war ends the pressure of our fighting men to get home and of their families to have them home at the earliest possible date will be terrific and very difficult to resist.

Post-War Threat of Inflation

I mentioned earlier the post-war threat of inflation. Frankly, I am as much concerned about this danger as any other single thing in the post-war picture. At the end of the war the unused purchasing power in the hands of our citizens will be fantastically great. Present estimates indicate that individual savings by the end of 1944 may approximate $100,000,000,000. These funds provide our greatest assurance that a market will be ready to absorb a greatly increased output of goods and services. They also constitute a very serious inflationary danger unless the goods and services are speedily forthcoming.

Because of this danger most thoughtful students now recognize the necessity of maintaining many of our present wartime controls on prices, wages, rents, etc., for some time after the close of hostilities. What worries me, however, is not what the Government may decide to do in this connection but what the American people will stand for. When the end of the war removes the strong patriotic motive for compliance with unpopular OPA controls, I am afraid the pressure to rush into the market and buy everything in sight, regardless of regulations, may be very strong.

The only cure for this situation will be the attainment of new high levels of production at the earliest possible date. In the meanwhile, there will be the need for a degree of self-discipline and self-restraint on the part of the American people which may be very difficult to achieve.

Post-War Taxes

Although it is not strictly a transitional problem, I feel that I must say a few words with regard to post-war taxes. I am sure we will all agree that if business is to do its full share in the attainment of high levels of employment and production there is a prime need for tax reform which will remove the present impossible burden which has been placed on business enterprise. I am very hopeful that we will be able to publish in the near future a series of tax recommendations which will appeal to you all as eminently sound and constructive. I cannot as yet comment on these in detail because they are still in the formative stage.

I must point out to you, however, that no tax reform is possible except one that is related both to the expected level of the post-war Federal budget and in turn to the level of our national income. I have recently studied some very thoughtful estimates that have been put together on the post-war Federal budget and I am convinced we must look forward to annual Federal expenditures for the first post-war decade which will average around $20,000,000,000. On the most hopeful assumption that the war in Europe will be over before the end of 1944, and that with Japan before the end of 1945, we shall be faced with a total Federal debt of at least $250,000,000,000 when the war is finished and liquidated. This debt will require annual interest charges of at least $6,000,000,000 and perhaps $7,000,000,000 annually for the first post-war decade.

Foresees $20,000,000,000 Budget After War

Time does not permit detailed discussion of the other items, but I can assure you it is very difficult to reach a conclusion that our post-war Federal budget will average less than $20,000,000,000.

Now a few words as to the relationship between the Federal budget and the national output of goods and services. The latest estimates place the gross national product for 1943 at about $188,000,000,000. At this level, it is now believed that Federal tax revenue for the fiscal year ending June 30, 1944, will be over $40,000,000,000, without any further increase in taxes.

If we achieve the post-war employment goal of 55,000,000 civilian workers, the national output of goods and services may be as high as $140,000,000,000 in terms of 1940 prices. Post-war prices, however, are certain to be a good deal higher than those of 1940. If the post-war price level should average 50% higher than that of 1940, it would mean that a gross national product of $140,000,000,000 in 1940 prices would actually be $210,000,000,000 in terms of post-war prices.

The conclusion from these figures is that the existing tax structure, if maintained after the war, might yield over $40,000,000,000 as compared with an estimated budget requirement of $20,000,000,000. This means that a satisfactory post-war level of production may make possible a very substantial cutting of tax rates and still permit a balancing of the budget. The higher we can raise our national production the less will be our burden of taxes.

"Encouraging Outlook"

Now I don't want to give you the impression I think we are going to reach the millennium after the war. Twenty billion dollars is a lot of money at any level of production and prices, and taxes will be plenty high. Nevertheless, there are definitely encouraging aspects to the outlook which I should list as follows:

1. With a high level of production we can carry the tremendous load of governmental debt and balance the budget, while achieving a substantial measure of tax reduction.

2. We shall emerge from the war with the broadest income tax base in our history. This means that practically every wage-earner in the country will for the first time have a direct and personal interest in governmental economy.

3. There are good reasons to hope that tax reforms will be directed primarily to the removal of the present intolerable burdens on business enterprise. For the past generation tax economists as a classs have directed their attention almost exclusively to an equitable **distribution** of income and wealth. Now most of these gentlemen—and I can assure you their influence is very great—have suddenly discovered that what really matters is the **creation of** wealth and the provision of employment. As a result, they are being driven to conclusions on tax policies which they would have regarded as highly reactionary a few years ago. From this changed psychology will come a strong pressure for reduction, and possibly eventual elimination of corporate income taxes, and a shift in the tax burden from corporations to individuals.

It is obviously impossible in a talk of this length to do more than touch the high points of a few of the more important problems which we shall have to face in transforming our national economy from total war to peace. I have not attempted to give you a set of easy answers to these problems. I could not do so even if I desired. About all I have hoped to accomplish here today is to give you a point of view, and perhaps a fresh perspective on the period that lies ahead.

One Central Problem

Above all, I hope I have succeeded in convincing you that all of the separate problems I have been discussing are merely segments of the one central problem which will be the attainment of new high levels of production within the shortest possible period of time. If we can rally all sectors of our economy around this one basic concept and coordinate all national policies of government, business, labor and agriculture in relation to it we shall have a good fighting chance of winning the peace.

I wish I could tell you that the only thing needed is for the Government to remove the present shackles on business and that unfettered private enterprise will then solve all our problems. I am afraid, however, that this is a very dangerous fallacy. Business cannot possibly do this job alone and it does not help the cause of free enterprise to assert that it can.

Cooperation the Key

What is called for will be a vast cooperative undertaking in which business, labor, agriculture, Government and the general public will each be required to do its full share. It will not be enough to ask government to get out of the way of business. In addition, decisive and constructive action by government will be needed in many areas.

In time of war we attain a high degree of national unity through the strong pull of patriotism. This is relatively easy to achieve, because the issue of national survival is readily understood by all. What we shall need is a new kind of peace-time patriotism which will give us national unity, with a common purpose and direction, during the crisis of the post-war transition. Although this will clearly be much more difficult to achieve I believe we have an excellent chance to do so by means of the rallying cry of production and employment.

We must realize of course that the attainment of high levels of production and employment is only half the job. Even if we succeed in our primary objective we shall still face the complex and even more difficult task of stabilizing production and employment at the high levels we have attained. Involved in this longer-run problem are such questions as that of ironing out the peaks and valleys of the trade cycle, the control of monopoly and the self-regulation of business, and of maintaining the health of small business in our national economy. I have no intention of discussing these problems today, but I merely wish to indicate my awareness of them, and to point out that the C.E.D. research program already contemplates broad studies in these fields.

Important Role of Engineers

No group in the country will have a more important role in the task that lies ahead than the engineers. The nation will have need of all the talent and energy which you can bring to bear on these problems. In addition, all of us will have need of faith and courage worthy of our fighting men who are winning the war for us all over the world. Only thus can we hope to win the peace and preserve for them an America to which they will be glad to return.

Investment Trusts

(Continued from page 2423)

of the $3,000 gift tax exemption for 1943. The bulletin contains an ingenious plan for taking advantage of this exemption and investing the "Gift" in the following Keystone Funds: B-1, B-2, B-3, B-4, K-1 and S-2. Such distribution of funds provides diversification among approximately 185 bonds, 50 preferred stocks and 40 common stocks and affords a monthly income of approximately $15 per month.

* * *

Hugh W. Long and Company has published investment holding lists on the **New York Stocks** and **Manhattan Bond Fund.** The folder on Manhattan shows the dividend record of the Fund since its inception in 1938. During the past five years dividends paid to shareholders by Manhattan Bond Fund have totalled $2,934,474.15.

During November the following portfolio changes were made in New York Stocks: Metals Series—Howe Sound was eliminated; Building Series—American Radiator was eliminated and Flintkote was added; Bank Series—Irving Trust was eliminated and Bank of America NTSA and Continental Illinois National Bank & Trust Co. were added.

* * *

The regular monthly investment report on **Group Securities** and the portfolio folders on **Railroad Shares** and **General Bond Shares** have been released by the Investment Research Department of **Distributors Group.** Besides listing current holdings of all classes of Group Securities, these folders reveal that the bonds owned by Railroad Shares would show an average market appreciation of 68% on a return to their 1936-37 highs. The current return on Railroad Shares based on dividend payments over the last 12 months is 8.2%. On a similar basis, appreciation possibilities for the bonds held in General Bond Shares amounts to 53% and the current return on that class is 6.6%.

Distributors Group has also issued a **Railroad News** quoting the **Wall Street Journal** and **Moody's** on the favorable post-war outlook for discount railroad bonds.

* * *

The December **Portfolio Review** of the **George Putnam Fund** shows current holdings and lists the changes made during November. These changes include elimination of New England Power Association Deb. 5s of 1948 and Commonwealth & Southern $6 Cum. Pfd. Other changes were limited to revisions in the percentage weightings among the various issues.

* * *

Hare's, Ltd., has published special pamphlets on **Aviation Group Shares, Bank Group Shares** and **Insurance Group Shares.** In the words of the sponsor: "These contain in brief, and we trust easily understandable language, all information of importance to investors that is contained in the Offering Prospectus, which, while always required, is nevertheless confusing."

Dividends

General Investors Trust—A dividend of $.12 per share payable Dec. 27, 1943, to shareholders of record at the close of business Dec. 13.

Massachusetts Investors Trust—A special year-end dividend of $.30 a share payable Dec. 24, 1943, to shareholders of record Dec. 7.

Jobs And Taxes

(Continued from page 2430)

ment at the cost of about 30 billion dollars a year. Beyond this amount we cannot go without grave danger to our country. This takes in all government-Federal, State and local.

A rough breakdown of this suggested post-war all-government budget of 30 billion dollars would be:

State and local expenditures		$9 billions
Federal:		
Civil expenditures	$4 billions	
Military and naval	6 billions	
Social security	2 billions	
Debt, int. & repaym't	9 billions	
Total Federal		21 billions
Total Federal, State & local		$30 billions

This $30 billions all-government budget obviously will require a tight hold on the purse strings. It contemplates no waste or extravagance. For those who will challenge its adequacy I say we had pretty good American government in the past which did not take fabulous billions of taxpayers money away from them, and this suggested peacetime budget is three times the level of the 1920s; nine times the level of peacetime government priod to World War I.

I suggest securing the funds for this budget as follows:

State and local taxes	$9 billions
Federal:	
Reduce present Fed. income taxes to ⅓ of present rates, to raise	5 billions
Establish a single flat rate of 25% on corporation income, with concessions for new & small companies, to raise	5 billions
Customs levies and reasonable inheritance taxes to raise	1 billion
Social security taxes to raise	2 billions
A special war debt tax; levied on all transactions at a very low rate, to raise for the payment of interest and the reduction of our Fed. debt	9 billions
Total Federal taxes	$22 billions
Total Fed., State & local	$31 billions

Thus there would be a billion dollar margin of safety by which Federal taxes would exceed expenditures.

This budget is predicated on a $125 billion level of national income, which of course is a somewhat optimistic evaluation of future events, especially in the light of the $66 billion average which prevailed for 10 years prior to the war. But there appears to be every reason for this or a better level if we approach the peace with the same courage and ingenuity we put into the war, and if our initiative is not stifled by unsound fiscal policies.

The $31 billion Federal, State and local tax load I propose would take 25% of our national income. That is the top limit which we can undertake without throttling national production and individual welfare. Should the national income fall below $125 billions we should at once further reduce our expenditures so as to keep them at all times within 25% of the national income. A study of the ratio of tax collections to national income in the United States and foreign countries shows that in peace-time only about one-fourth of national income may be diverted to government with safety.

We are fortunate at this time in having such sound committees in the Congress dealing with these fiscal problems under the able and distinguished leadership of Senator George and Mr. Doughton.

Five Partners to Program

In shaping and working for sound government, sound business and full employment, we need to take stock as to the obligations which such a program lays upon its partners—labor, management, capital, agriculture and government.

Our working people must realize that their part in this program is no small one. They are charged with efficiency and thrift in their jobs as well as in their homes. They will need sound and far-sighted leadership.

Labor has by far the greatest stake in the prosperity of business because it receives the largest share of the returns.

Labor should remember that corporate enterprise employs about 90% of all workers today outside of government and agriculture.

The farmer should realize his direct interest in full employment. Without such, he cannot count upon even reasonably good prices for his products.

The women of America will occupy a more and more important place in our economy, with more jobs and a larger responsibility in business. We will need to give them the full opportunity to know about their government, about government expenditures and about taxes because of the consequent effect upon their households, their children, their future and the family's jobs.

I have already pointed out some of the duties of management in this new day into which we are going. Here are others:

Every businessman must not only keep informed about his government but he must actively participate in that government.

Business must immediately and persistently keep its 11,000,000 stockholders informed. These owners of business must be aroused—educated and organized—they are a potential force as large and as great as organized labor. They are entitled to full consideration by government.

Businessmen must now realize the strength of united action and the value of full participation in such action. I have had an opportunity to see something of the way industry can cooperate in these past few months. But I must admit that one of the most discouraging factors has been the lack of a sense of responsibility to supply its representatives with essential information on the part of some companies for their own protection. The value of cooperation has been proven beyond a doubt. We must set up the facilities for its permanency in the immediate future.

Committees for Jobs Needed

This program which I am outlining will require the cooperation of every interest and every group in every community of our land. As the final plank in the program in connection with the incentive employment tax, I recommend the establishment of committees for jobs in every city, town and hamlet in the country and to be initiated by business. These committees should be composed of representatives of labor, industry, civic bodies, retailers, the American Legion, bankers, lawyers, women's clubs, housewives, churches and other leading elements. They might be called "the committees for jobs for Americans."

Their job would be to see that every community, city and town absorbs its full quota of those desiring to work by the use of whatever means may be necessary in that particular locale.

To coordinate, encourage and assist these local groups, a national committee for jobs should be set up, financed by industry. At all costs we must avoid a repetition of the disgraceful situation of the early 30s when we had ten million unemployed.

Rugged Americanism Is Required

The task which I have been outlining to you is one of high adventure. It is one of the greatest adventures ever undertaken by the American people, for wrapped up in it is the future of our American way of life.

Through complete, enthusiastic and energetic cooperation of labor, agriculture and industry, through a complete harmony of voices which will silence the soap-box orators who seek to destroy America, we can attain a higher standard of living than the world has ever known.

Let me warn you that if we, the businessmen of America, fail to take the leadership in this post-war program, then don't be surprised if we have greater regimentation, a larger dole system, nationalization of industry and a more serious depression than we have dreamed of in the past. If that does happen, business will get the blame for it.

In short, we must simplify our tax structure—enact provisions immediately to wipe out all emergency and special war taxes upon the cessaton of hostilities.

Replace present tax laws with a personal income tax which spells out the exact amount of money owned by all income levels — establish a flat 25% corporate income tax — retain the existing social security rates—impose reasonable customs and inheritance levies—enact a transaction tax for the specific purpose of servicing and paying off our debt of 300 billion dollars over the next 100 years—enact incentive employment taxation — organize the owners of business into an effective political entity — set up a business agency for the collection of adequate facts on economy and business for the primary use of Congress—prepare for peacetime government costing approximately 30 billions a year. Balance the Federal Budget. Organize job committees in every nook and corner in the country to secure jobs for all citizens who want to work—bring about full recognition of the joint responsibility of the partners—labor and agriculture, capital and government—as to both jobs and taxes.

It will take rugged Americanism, ingenuity and guts, but we can do it. And the time to begin is now.

Heads Bank of England

Directors of the Bank of England recently renamed Montagu C. Norman as Governor of that institution for his 25th. term.

Railroads Have A Great Future

(Continued from page 2417)

senger, will increase after the war and the power used to haul such equipment should be fast, powerful, and flexible, but may be lighter in weight than engines used to haul heavier equipment. The use of lighter weight, stronger metals, fusion welding instead of riveting in the boiler, and other refinements in accessories will permit stepped-up power to handle such traffic at any desired speed.

Fuel Supply Is Grave Question

"Much has been accomplished in the way of fuel economy, but the situation with respect to coal and fuel oil after the war may be influenced by factors over which the consumers have no control. The enormous drain on our natural reserves of these materials is a matter of grave concern, and the longer the war lasts the more will our natural resources be depleted. This should be considered now to a point where an intensive study should be made to improve the drafting of locomotives, looking toward the utmost economy of fuel for both new and existing locomotives. The modern locomotive tender requires such a large capacity for fuel and water in order to avoid stops, that it nearly approaches the actual weight of the locomotive itself. Undoubtedly this weight could be reduced by the use of improved materials.

Diesel and Electric Engines

"For a number of years the railroads have been replacing steam switching and yard locomotives with Diesel electric units because of the flexibility and high percentage of availability of this latter type of power. Their use has also been extended to the hauling of lightweight, streamlined, name-trains, and a few heavy duty units are now in service for the road hauling of heavy freight trains. The builders of this type of equipment have been steadily improving their product and will undoubtedly continue with refinements that will improve their service, but the ultimate progress of any equipment dependent upon high grade fuel oil will depend upon the world supply of crude oil when this exhaustive war is ended.

"The electric locomotive, deriving its power from overhead or third rail systems, has been the source of much discussion and speculation over a number of years. In many respects it seems to be an ideal system of transportation, but the important question of economy is a large factor in considering its adoption. This type of engine seems best adapted to highly congested areas where power is available at rates that will permit operation within an economical range, such as the electrified portion of the Pennsylvania Railroad between New York and Washington.

Turbine Engines

"Many people have felt that a turbine engine would be the ultimate as a prime mover for the railroads and experiments along this line have continued over the years. Mostly they have developed along the lines of turbo-electric engines and in fact a locomotive of this type was built a few years ago. There is now under way a comprehensive study of the potentialities of the gas-powered turbine for use in locomotives and while it is too early to make any positive predictions, I am inclined to the belief that this type of power offers tremendous possibilities for an economical, simple, and effective prime mover.

Replacing Worn Out Equipment

"The vital question of rehabilitation of our railroads in the post-war period should be taken up at this time and plans made accordingly. Our railroads are quickly and surely wearing out the available equipment handling a tremendous volume of freight. The present situation is parallel to 1928 and 1929 which was followed by the period of railroad inactivity. The number of freight cars available in 1929 was 2,277,500. The number of cars now available is approximately 1,710,000, which indicates a decrease of 567,500 cars. The number of freight cars which will be permanently retired upon cessation of hostilities will depend upon the immediate post-war requirements. A large number of cars, estimated at a million, should be permanently retired in the next 10 years, which is comparable to the 789,600 cars retired during period from 1932 to 1940 inclusive.

We hear much about light weight freight equipment as a post-war development. Before becoming too enthusiastic about the possibilities of light weight freight equipment let us examine the problems confronting the designers of such equipment. The major problem confronting the designer of freight equipment is that of control of long trains at high speeds. The average freight train tonnage and length in 1940 were 349 tons and 49.7 cars, respectively. The speed at which a train can be operated with safety depends on the control maintained over the dynamic forces present in such a train. The throttle and brakes constitute the only means of control of a moving train.

The weight and the braking power available in a long train govern the distances over which a train can be brought to a stop from various speeds. The braking power provided in freight cars being based upon the light weight of the cars, introduces a problem in the design of lightweight cars, especially if such cars are intended for efficient high speed service. The difference between the empty and load limit weight of a freight car is particularly undesirable for high speed service, as the braking force provided in the cars ranges from 60 to 75% of the light weight of the car based on 50 lbs. cylinder pressure.

"Considerable research work will be necessary before an ideal light weight car, capable of meeting all of the requirements of high speed train operation is placed in service. To facilitate work of the designer it would be well to consider classifying light weight freight equipment into two groups.

"Group 1—Cars to be used at moderate train speeds to increase the ton-mile revenue and designed to carry bulk commodities.

"Group 2—Cars to be used at high speed in long trains to carry express freight.

"The first group of light weight cars should be designed to take advantage of the newer material and recently developed methods of construction. The nominal load limit of these cars should not exceed three times the light weight of the car unless some kind of special braking arrangement is developed to overcome the stopping difficulties. The second group of light weight cars should be designed to meet the high speed service requirement forced upon the railroads by competition. These cars should be capable of being controlled in long trains with the same dispatch as are passenger trains.

125,000 New Freight Cars Needed

"A long range building program of new freight equipment calling for the construction of 125,000 new cars and the retirement of a similar number of old cars yearly, for eight years, should be contemplated. Work on the designs of these cars should be begun now. The designs should incorporate the use of welded construction and suitable high strength steel with corrosion resisting properties where found economical to do so. The use of light weight materials, such as plywood, aluminum as such, or in combination with other materials, should be encouraged where comparable strength with lighter weight can be obtained.

Air and Rail Travel

"The development of post-war rail passenger transportation will be governed largely by the demand. The American public is becoming air minded and the loss of passenger traffic and revenue by the railroads must be studied with concern. Air lines are expecting to carry up to 70% of the pre-war railroad transcontinental revenue passengers. The aircraft industries are now geared up to a high production of military planes. The larger type of military plane can easily be modified into luxurious air liners. However, air travel as an everyday, time-saving way of traveling must be considered in the light of the ratio of time of flight to time required to travel between business centers and the airports. The total cost of travel versus the comforts enjoyed will, to many travelers, become the influencing factors when choosing between air and rail transportation. A major portion of the traveling public will demand low cost transportation at a reasonable speed, but a number of first class travelers may resort to air transportation.

"The possibilities and future of air and rail passenger transportation are beyond prediction. The success of each mode of travel will depend upon the schedules and comfort offered. The comforts which rail passengers may enjoy are closely related to car design. The post-war passenger car will necessarily embody all elements of comfort consistent with operational requirements. Those cars, of whatever design they may be, must meet the present requirement for strength to provide safety to all occupants of the car and must be economical to operate. The use of light weight equipment which to date has only been partially developed, can be furthered.

"The outlook on the passenger service should be that air transportation will become a definite factor in long distance travel. Much of the overnight rail sleeper traffic will not change. Travel between distances up to 400 miles in de luxe coaches, if as comfortable as it is safe, should appeal to the general public. Therefore, it behooves the railroads to revise their schedules for the benefit of the public and develop and plan the construction of post-war light weight coaches which will enable them to meet competition.

Central Research Advocated

"There is a great future in store for a central research and testing laboratory, owned, operated, and controlled by the railroads. Up to this time all our investigations have taken place in the laboratories of railroads, universities, or private industry, from all of whom we have received complete cooperation and satisfactory results. It should be recorded that in our associations with private research laboratories the companies involved have been completely above reproach in their relationship, enabling us to maintain the integrity so necessary in any unbiased investigation. However, there are those who will always harbor some suspicion that influence might have been exerted. For this reason, if for no other, a railroad-owned testing plant would have a beneficial effect on all associated industries. Furthermore, it would tend to avoid duplication of effort where several organizations may be working on the same problem, each without knowledge of the other's activity."

Feed Import Bill Approved

By a roll-call vote of 255 to 55, the House passed on Dec. 8 a measure to permit duty-free importation of feed for livestock and poultry for a period of 90 days.

The list of feed which would be permitted to be brought in temporarily without a tariff includes wheat, oats, rye, flax, cottonseed, corn and hay, to be used only for livestock and poultry feed. An attempt to eliminate corn from the list was defeated over vigorous protests from a group of midwest Representatives.

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PREFERRED DIVIDEND NO. 142

There has been declared, for the quarter year ending December 31, 1943, a dividend of one dollar seventy five cents ($1.75) per share upon the shares of this Company's Preferred Stock (authorized by the Certificate of Consolidation of American Locomotive Company, American Locomotive Sales Corporation and Transamerican Construction Company filed in the Office of the Secretary of State of the State of New York on September 3, 1943) issued and outstanding, payable on December 28, 1943, as to shares thereof held of record at the close of business on December 20, 1943, to the holders of record thereof at that time, and payable as to all of said shares which shall not be held of record at the close of business on December 20, 1943, to those who shall first become the holders of record thereof on the date on which they shall become such holders of record or on December 28, 1943, whichever shall be the later date.

COMMON DIVIDEND NO. 71

There has been declared a dividend of fifty cents (50¢) per share upon the shares of this Company's Common Stock issued and outstanding, payable on December 28, 1943, as to shares thereof held of record at the close of business on December 20, 1943, to the holders of record thereof at that time, and payable as to all of said shares which shall not be held of record at the close of business on December 20, 1943, to those who shall first become the holders of record thereof by reason of the surrender by them of (a) certificates expressed to represent shares of the Preferred Stock of this Company that was outstanding immediately prior to the consolidation and merger of this Company, American Locomotive Sales Corporation, a New York corporation, and Transamerican Construction Company, a Delaware corporation, which was effected on September 3, 1943 or (b) scrip certificates in respect of Common Stock of this Company on the date on which they shall become such holders of record or on December 28, 1943, whichever shall be the later date.

Transfer books will not be closed. Dividend checks will be mailed by the Bankers Trust Company on December 27, 1943.

JOHN D. FINN, *Secretary*

December 10, 1943

DIVIDEND NOTICES

Dividend Notice of
THE ARUNDEL CORPORATION,
Baltimore, Md.
December 14, 1943.

The Board of Directors of the Arundel Corporation has this day declared 25 cents per share as the regular quarterly dividend and 50 cents per share as an extra dividend on the no par value stock of the corporation issued and outstanding, payable on and after December 27, 1943, to the stockholders of record on the corporation's books at the close of business December 17, 1943.

JOSEPH N. SEIFERT, Secretary.

THE GARLOCK
PACKING COMPANY
December 14, 1943
COMMON DIVIDEND No. 270

At a special meeting of the Board of Directors, held in Palmyra, N. Y., this day, a dividend of 50¢ per share was declared on the common stock of the Company, payable December 28, 1943, to stockholders of record at the close of business December 18, 1943.

R. M. WAPLES, *Secretary*

UNITED FRUIT COMPANY

DIVIDEND NO. 178

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable January 15, 1944 to stockholders of record at the close of business December 23, 1943.

LIONEL W. UDELL, *Treasurer.*

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½c per share on the Preferred capital stock. They have also declared a dividend of 62½c per share on the Common capital stock. The dividends on both Preferred and Common stock are payable January 5, 1944, to stockholders of record at the close of business December 14, 1943.

WALLACE M. KEMP, *Treasurer*

Bankers Keep Your Money At Home Warns Harvard Prof.

In addressing the American Institute of Banking in Boston on Dec. 9, as reported by United Press dispatches, J. Anton de Haass, Professor of International Relationships, gave a warning to bankers to keep their money at home and not put it in foreign investments. He further warned that post-war investments should be made with caution and only when economic and financial structures have been re-established and the countries can prove their ability to pay.

The United Press accounts from Boston, as given in the New York "World-Telegram" further quoted Prof. de Haass as follows:

"I am quite sure we can kiss goodbye to our lend-lease advances," he said. "We can also kiss goodbye to our investments in Latin America."

Prof. De Haass believes nations already show indications of reverting to the type of policy which prevailed in the 10-year period following World War I—"a policy to kill off the other fellow which led to monetary disintegration, stagnation of trade and depression."

"England already has formed a corporation to corner the world cotton market, and Australia has developed the largest steel plants in the world, planning a high tariff protection after the war," he declared.

CGO, Milw. & St. Paul Situation Interesting

The decision rendered by the ICC on the Chicago, Milwaukee & St. Paul reorganization plan marks a landmark in railroad reorganization, according to an interesting circular on the situation issued by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges. Copies of this circular, which contains interesting statistical comparisons, may be had upon request from Ira Haupt & Co.

The Securities Salesman's Corner

The Importance Of Teamwork In a Sales Organization

There is something contagious about success or mediocrity. The same holds true for most of the emotional reactions such as confidence, dissension, mistrust, loyalty and so on down the line. When a group reacts in any of these ways we call it "atmosphere." Ten minds exert a stronger mental influence on the eleventh than will two. A room full of depressed people can create gloom so thick you can almost feel it—surely it can be seen. We all have noticed the effect of an inspiring speaker on a large audience—there is something herd-like in the way groups react to different stimuli.

Knute Rockne saw a musical comedy, and noticed the precision with which the dancers followed the swing of the music. He came back home and laid the foundation for a system of football that became a rhythm of success. Team spirit, coordination, and something they now call "know how," are as old as history. It is the basis for every successful sales-organization as well.

A sales-organization is like a team, or a regiment. The sales manager is the coach or the general. He has the same problems. He must train his men, he must lay out their plans of campaign, he must settle their differences between each other and between the men and the firm, he must establish his reputation for fairness and justice so that his integrity cannot be questioned, he must inspire the men around him to get more out of their day's work than the usual satisfactions that most jobs provide; in short, a good sales-manager must provide LEADERSHIP.

Good salesmen when placed alongside of other men who are doing a good job, in a cheerful atmosphere, where plans are always being made and new stimulating ideas for the promotion of business are constantly undertaken, WILL DO AN EVEN BETTER JOB THAN THEY USUALLY COULD DO ALONE. Competition, atmosphere, rhythm, stimulating ideas, progressive thinking and doing, these things make successful organizations and develop successful men.

Put the same men into an organization where complainers are in abundance, where whispered conferences early in the morning take place behind the sales-manager's back, where mistrust and gloom prevail, and these good men will nearly always deteriorate into the same class as those around them. They say, "one bad apple can spoil a barrel," sometimes this is even true of sales organizations.

We know of one successful sales-manager who has done a good job of constant building and increasing his success right through the past ten years, who has made it a cardinal rule to tell his men that IF THEY HAVE ANY COMPLAINTS, TO COME OUT WITH THEM. IN THIS WAY THINGS ARE BROUGHT RIGHT OUT IN THE OPEN AND THEY ARE IRONED OUT, AS THEY SHOULD BE, IN A STRAIGHTFORWARD, FORTHRIGHT MANNER. There is no growing cancer of disintegration in his organization. He treats his men as men and he is one himself.

The coming generation have a word for it—they call it "in the groove." When an organization get's that way it's on its way to success. The fundamentals are the same for a two or three man shop, or for fifty. Leadership that brings success is nothing more than good health backed up by character, some sound experience in the field of endeavor where you happen to be striving, plus enthusiastic enterprise.

Michigan Brevities

(Continued from page 2420)

Richard D. Young, manager of the Detroit office of Baker, Weeks & Harden, announced the opening of new and larger offices at 1556 Penobscot Bldg., effective Dec. 6.

The company is a member of the New York Stock Exchange.

* * *

At the annual meeting of the Bankers Club of Detroit, Ernest C. Harris, Vice-President of the Federal Reserve Bank of Chicago, in charge of the Detroit branch, was named President for the ensuing year.

Otto Wisner, President of the Bankers Trust Co. of Detroit, was elected Vice-President, and William Thomas, Treasurer of the Detroit Trust Co., was re-elected Secretary and Treasurer.

President George B. Judson of the Wabeek State Bank, was named to the executive committee and President Charles T. Fisher Jr., of the National Bank of Detroit, was re-elected to that body.

* * *

Despite remodeling difficulties due to the war, executives of the Manufacturers National Bank of Detroit predict that they will move into the bank's new main offices on the corner of Fort and Congress shortly after the first of the year.

J. H. Brooks To Admit

J. H. Brooks & Co., members of the New York Stock Exchange, will admit Harold B. Robinson to partnership in their firm on January 1st. Mr. Robinson will make his headquarters at the firms office in Scranton, Pa., located in the Brooks Building.

Folger On Investment Banking Business

(Continued from page 2414)

"That accumulation spells investing power."

He drew a parallel between the investment bankers and the water tender at the gates of an irrigation dam. "He sees that the right amount of water gets into each field, a highly important job and one which I take it we will be called upon to do," Mr. Folger said. "A reasonable amount will flow to foreign fields," he said, "but we must see to it that our own valleys and farms receive the needed and precious irrigation. If we send part of our supply of capital for foreign use, let's try to be a prudent water tender and not flood the desert."

Speaking on the same program with Henry G. Riter, Chairman of the National Association of Securities Dealers, the self-regulatory organization of investment banking, Mr. Folger urged those in the business to support both organizations. Commending the regulatory activities of the NASD, the IBA President said that its very existence indicated that there was a "strong and vigorous impulse in the business to standardize good practice."

A. J. Lord On Bd. Of Managers Of N. J. Bank

Andrew J. Lord was elected a member of the Board of Managers of the Morris County Savings Bank, Morristown, N. J. Mr. Lord is President of Lord, Abbett & Co., Inc., New York; Chairman of the Board Research and Management Council, Inc., and President and director of Allied Fund, American Business Shares, and Union Trustee Funds.

OUR REPORTER'S REPORT

An unexpectedly quick cleaning up of the Utah Power & Light Co. financing, brought to market last Friday, was viewed as opening the way for consideration of other large utility issues which are in the works and practically ready for bids.

The Utah Power deal, embracing $42,000,000 of 25-year first mortgage 3¾% bonds, had been expected to prove a "worker" since it was indicated that the big insurance companies were reticent to participate in the business on a yield basis of less than 3.75%.

Priced by the offering group at 100⅝, to yield approximately 3.72%, the bonds were reported moving slowly following formal offering. But late on Tuesday it was disclosed that the syndicate managers and a group of large insurance companies had reached an agreement under which the latter absorbed the remaining unsold bonds.

That there was a concession in pricing on the part of the bankers goes without saying, since the bonds were quoted over-the-counter soon after at 100¼ bid and 100½ asked.

In consequence, the issue, which had been watched carefully as a cue to the immediate outlook for further corporate financing between now and the close of the year, was successfully placed. And the price at which it was finally put away should prove a guide to underwriters in seeking after new issues of similar type.

Central Vermont P. S. Stock

Monday's offering of 195,000 shares of common stock of the Central Vermont Public Service Corp., marking the first strict application of the Securities and Exchange Commission's U-50 Rule to a utility stock sale, struck a snag.

The company received but a single bid submitted by a banking syndicate embracing 32 of the largest New York and New England underwriting houses. The bid was rejected as unsatisfactory and the investment world is waiting for the next step on the part of the issuer.

The latter, according to reports, had been in negotiation with Boston bankers for direct sale of the stock before it sought competing bids. It will be interesting to see whether the SEC, in this instance, will forego the rule and permit a negotiated sale.

Little Nourishment

September, according to a compilation just released by the Securities and Exchange Commission, set a new record for new issues placed on the market.

But those who specialize in the marketing of corporate securities will find little to gloat over in the figures since it develops that non-corporate financing contributed all but a very minor part of the aggregate of $11,052,930,000 shown.

The Treasury's war financing reaching the staggering total of $10,963,566,000 made up the bulk of the month's business, while State and municipals contributed $20,530,000.

Corporate underwritings at $68,834,000 for the period were shown to have run some $6,000,000 under the monthly average for the year up to September.

S. O. Ohio Preferred

The only substantial new issue placed in registration with the Securities and Exchange Commission recently covers projected issuance of 101,389 shares of $100 par cumulative convertible preferred stock for the Standard Oil Co. of Ohio.

The registration covers likewise common stock which may be required for conversion of the new preferred during its life.

The new preferred will be offered on "rights" to common shareholders with underwriters having agreed to take down any unsubscribed portion for public sale.

Illinois Power Co.

The huge $65,000,000 refinancing program of Illinois Power Co. is being held up pending agreement on questions relative to reserves, Allan Van Wyck, President, disclosed late last week.

He plans to confer with bankers who are expected to bid for the bonds to seek their opinion on timing of the issue. Such conferences will settle the question of whether the financing will be undertaken before the end of the year, it was indicated.

Senate Group Acting On New Tax Bill

The Senate Finance Committee has not as yet completed action on its version of the 1943 tax bill and it is doubtful whether the measure can be enacted before the planned Christmas recess.

The Committee has been at work a week on writing the $2,000,000,000 revenue measure but its formal report is not expected to reach the Senate floor before Christmas week.

At its session on Dec. 14, the Senate group approved the main corporation provisions of the House-approved tax bill and also voted in an amendment freezing the social security payroll tax at its present 1% rate. The increase to 95% from 90% in the corporate excess profits tax rate was agreed to, while the 80% overall ceiling was left unchanged. The Senate group did, however, amend the House provision relating to the invested capital excess profits tax credit.

With respect to this action, a Washington dispatch of Dec. 14 to the New York "Herald Tribune," by Samuel W. Bell, said:

"Instead of reducing the credit allowance on invested capital in excess of $200,000,000 from 5 to 4%, the committee retained the existing 5%. The other credit reductions approved by the House were as follows: 8% for the first $5,000,000, 6% on $5,000,000 to $10,000,000, 5% on $10,000,000 to $200,000,000."

The social security tax action was sponsored by Senator Vandenberg (Rep., Mich.,) who twice before (in 1941 and 1942) led the movement to keep these taxes from automatically increasing to 2% on both employers and employees.

Another important action taken by the Senate Committee on Dec. 14 was its approval of the provision in the House bill requiring certain tax-exempt organizations, such as labor unions, farm cooperatives and others, to file annual financial returns with the Treasury.

It was estimated on Dec. 9 that, as a result of changes made in the House bill by the Senate Committee, the bill's revenue yield was reduced from $2,140,000,000 to $1,923,000,000. The proposed House tax on pari-mutuel betting was rejected as were increases in third-class postal rates and rates on several other excise levies.

The Senate Committee had concluded its public hearings on the tax bill on Dec. 6.

Passage of the House bill was noted in our issue of Dec. 2, page 2206.

Royal Bank of Scotland
Incorporated by Royal Charter 1727

HEAD OFFICE—Edinburgh
Branches throughout Scotland

LONDON OFFICES:
3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1

TOTAL ASSETS
£108,171,956

Associated Banks:
Williams Deacon's Bank, Ltd.
Glyn Mills & Co.

Australia and New Zealand

BANK OF NEW SOUTH WALES
(ESTABLISHED 1817)

Paid-Up Capital	£8,780,000
Reserve Fund	6,150,000
Reserve Liability of Prop.	8,780,000
	£23,710,000

Aggregate Assets 30th Sept., 1941 £150,939,354

SIR ALFRED DAVIDSON, K.B.E., General Manager

Head Office: George Street, SYDNEY

The Bank of New South Wales is the oldest and largest bank in Australasia. With over 870 branches in all States of Australia, in New Zealand, Fiji, Papua and New Guinea, and London, it offers the most complete and efficient banking service to investors, traders and travellers interested in these countries.

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NATIONAL BANK of EGYPT

Head Office Cairo
Commercial Register No. 1 Cairo

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RESERVE FUND £3,000,000

LONDON AGENCY
6 and 7 King William Street, E. C.

Branches in all the principal Towns in
EGYPT and the SUDAN

NATIONAL BANK of INDIA, LIMITED

Bankers to the Government in Kenya Colony and Uganda

Head Office: 26, Bishopsgate, London, E. C.

Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar

Subscribed Capital	£4,000,000
Paid-Up Capital	£2,000,000
Reserve Fund	£2,200,000

The Bank conducts every description of banking and exchange business

Trusteeships and Executorships also undertaken

Moxie Outlook Interesting

The outlook for securities of the Moxie Company offers attractive speculative possibilities according to an interesting memorandum prepared by Lawrence H. Klybert of the Brooklyn, N. Y. office of Josephthal & Co., 189 Montague Street. Copies of this memorandum may be obtained from Josephthal & Co. upon request.

Outlook For Bank Stocks

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, have prepared an interesting circular entitled "Bank Stocks and Their Outlook." Copies of this circular may be had from the firm upon request.

Restoration Of American Freedom Pattern For World Liberty: Bricker

(Continued from first page)

full cooperation with the nations of the world in the days of peace," Governor Bricker said that "only in that hope and confidence can we plan or establish a just order of international relationships. A confidence in the people and their leaders in the years ahead, as well as in ourselves, requires that we do not attempt to place this or any other nation in an international strait-jacket."

That "our desires for peace must be implemented by a practical and definite program," was pointed out by Governor Bricker, who added that "our peace must ultimately rest upon the understanding and approval of the people of the United States." "We want," he continued, "no super government, no dictatorial State to which we are subservient. We want no central world authority over us. Nor, do I believe, does any other sovereign nation want a central world authority over it."

Expressing the view that "an international cooperative organization, whatever precise form it may take, can wield a tremendous influence toward peaceful solution of the international problems which have led to war," the Governor stated that "these problems include trade barriers of all kinds, access to raw materials, exploitation of undeveloped resources, commercial rivalries, air and water rights, especially monetary stability. Such an international organization must be founded on continuous close-working collaboration." "This," he observed, "would be a long step and it is realistic."

The speaker reminded the gathering that "if America is to remain a dominant force for good in the world, if our people are to continue to enjoy self-government, policy-making power must be taken from the hands of bureaucrats and returned to the elected representatives of the people."

"During the past 10 years," he said, "our Federal Government has launched upon a course leading to the destruction of our form of government and to the loss of our freedom. . . . It is high time that we awaken to the fact that the war is being used as an excuse to further many dangerous pre-war policies. We have been living for a decade under a growing absolutism. Unless these policies are reversed by the American people, they will unmistakably lead this nation to National Socialism." From Gov. Bricker's remarks we also quote:

"In an awakened new faith the people everywhere should demand that initiative be encouraged; that business, including small business, be strengthened, and that State and local governments be restored to their proper place of power. Open our courts to all who have been deprived of their rights by orders and directives and where redress is now denied or discouraged. We want the shackles of bureaucracy removed and the creative genius of our people set free." "That genius," he declared, "will not be released and investment will not be encouraged unless Government refrains from regimentation and from taking too much of the income of the people for the ordinary functions of Government."

(As indicated in our issue of Nov. 18, page 2022, Governor Bricker formally announced on Nov. 15 that he would be a candidate for the Republican Presidential nomination in 1944.)

Text of Dec. 11 Address

We meet tonight assured of ultimate victory. The cost will be stupendous and the toll of life and property heart-breaking. As the forces of freedom move inexorably forward, our purpose becomes clearer.

Millions of people around the world, some who have lost freedom and others who have always lived under the heel of tyranny, are rising up to claim the soul's highest right—to live by some inner sovereignty, rather than by outside regimentation. Never in the history of the world has this longing of people to govern themselves welded together such a mighty army as now fights under the banner of freedom. The winning of complete military victory transcends all other purposes.

Every meeting of Americans today should express deep gratitude and lasting obligation to the men and women in our armed forces. Their steadfastness, their courage and their heroism must be matched by our determination to make the nation worthy of their sacrifices. We also pay high tribute to the millions of men and women in shops and factories, on farms, in laboratories, in hospitals and in management who tirelessly labor to meet the demands of total war. Never has American manhood and womanhood so demonstarted and so ennobled the character of our nation.

The strength and honor of our nation have stemmed from a mighty faith. We have had faith in ourselves, faith in our Government and faith in Divine Providence. Today America needs a strengthened faith. To achieve that faith we must meet a three-fold challenge beyond winning the war.

First, we must devote all our ability and energy to establish a just and lasting peace in the world.

Second, we must set America free from economic and political totalitarianism.

Third, we must lift ever higher the moral and spiritual standards of our people.

This is an American creed both for today and after victory. It embraces a basic philosophy of government at home and abroad.

I

Turning first to our position in the post-war world, we are encouraged by the conferences that have been held with our allies. They strengthen the war effort and assure unity of action. They set a pattern for developing mutual understanding among nations and for building an orderly peace.

America needs a forthright foreign policy. There is nothing mysterious about foreign policy. There is no secret formula by which it can be determined. Our foreign policy should be an adaptation of farsighted domestic policy to world relationships. Honesty, fair dealings, promises wisely made and faithfully kept know no geographical lines and are not spoken in any one language. A sound American policy in international affairs means that we shall deal as a strong independent nation and that other nations of the world shall deal with us on the same basis.

Such a postive policy must be followed in the years ahead—that America's voice might be heard, our position respected, our nation defended and our people kept proud of our position among the nations of the world. Such policy will recognize that a prosperous America requires a prosperous world. It will recognize that in rehabilitating America the rest of the world must also be rehabilitated. Peace throughout the world must be built upon the right of other people to live their lives, build their cities, replant their fields, restore their homes. All the people of the world must get down to hard work and work constructively and hopefully.

(Continued on page 2442)

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

The usual series of bank stockholder's annual meetings is touched off each year in December by The Bank of The Manhattan Company, a full month ahead of the others. This meeting and report to stockholders is always studied with especial interest, since it provides a preview of the banking situation and indicates what may reasonably be expected of other leading banking institutions.

This year the meeting was held on Dec. 7, and represented the 145th consecutive annual meeting of the stockholders. Mr. J. Stewart Baker, Chairman of the Board of Directors, presided and read the annual report on the company's activities during the preceding 12 months, including an estimate of the results of the year's operations. During the year a milestone was reached in the history of the company when its total resources exceeded one billion dollars, being reported at $1,016,274,304 on the Sept. 30 statement of condition.

Based on actual figures for the first nine months and estimated figures for the last three months, net operating earnings will amount to approximately $4,000,000, equivalent to $2 per share, compared with $3,623,900 for 1942, equivalent to $1.81 per share, and $1.37 in 1941. These figures do not include net profits realized on the sale of securities, which amounted to $2,652,000 for 11 months, after taxes, equivalent to $1.33 per share. This compares with security losses in 1942 amounting to $1,289,169, or $0.65 per share.

The estimated operating earnings of $4,000,000 are higher than those of 1942 by $376,043, equivalent to an increase of 10.3%, in spite of the fact that taxes charged against operating earnings will exceed 1942 taxes by more than $1,000,000, or $0.50 per share.

"Bank Stocks and their Outlook"

Circular on Request

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Department)

If we assume that the 1943 experience of Bank of Manhattan is fairly typical, we can develop an interesting tabulation of estimated 1943 net operating earnings for leading banks by merely increasing their 1942 figures by 10% as follows:

	Net Operating Earnings per Share		
	1942	Est. 1943	Current Dividend
Bank of Manhattan	$1.81	$2.00	$0.90
Bank of New York	*20.70	22.77	14.00
Bankers Trust	3.39	3.73	1.40
Central Hanover	5.76	6.34	4.00
Chase National	1.81	1.99	1.40
Chemical Bank & Trust	2.68	2.95	1.80
Commercial National	12.91	14.20	8.00
Continental Bank & Trust	1.14	1.25	0.80
Corn Exchange	3.30	3.63	2.40
First National	106.42	117.06	80.00
Guaranty Trust	16.28	17.91	12.00
Irving Trust	0.84	0.92	0.60
Manufacturers Trust (common)	4.03	4.43	2.00
**National City	2.18	2.40	1.00
New York Trust	6.06	6.67	3.50
Public National	*2.85	3.14	1.50
United States Trust	78.83	86.76	70.00

*As indicated by balance sheet. **Includes City Bank Farmers Trust.

It will be noted that estimated net operating earnings alone, without security profits which presumably will be quite substantial, cover current dividends requirements by a generous margin. The widest coverage indicated by the above estimates is by Bankers Trust with a ratio of 2.66, while the narrowest coverage is by United States Trust with a ratio of 1.24. The average ratio for the 17 banks is 1.78. It is of interest to note, in the case of The Bank of Manhattan, that estimated net operating earnings plus security profits cover dividend requirements approximately 3.7 times, which would indicate that the bank's capital funds and reserves are being built up at a rather satisfactory rate. Although such conservatism in the matter of dividends may seem somewhat extreme, on the other hand it would appear to be a sound and constructive policy in view of the great expansion in the business of this and other leading banking institutions that has already transpired and of the further great demands that may be put upon the banking system in the post-war years.

Meanwhile, the steady upward trend in deposits persists, as shown in the following figures reported by the New York Clearing House Association:

Date—	Amount $(000,000)
Dec. 31, 1941	16,389
July 2, 1942	16,551
Oct. 1, 1942	16,935
Nov. 5, 1942	17,935
Dec. 3, 1942	18,308
Dec. 30, 1942	19,857
Jan. 7, 1943	20,043
May 6, 1943	20,603

Date—	Amount $(000,000)
June 3, 1943	20,883
July 1, 1943	19,962
Aug. 5, 1943	20,153
Sept. 2, 1943	20,223
Oct. 7, 1943	21,937
Nov. 4, 1943	22,983
Dec. 2, 1943	22,381
Dec. 9, 1943	22,073

It is of interest to remark that the figure of $22,983,266,000 reported for Nov. 4, 1943, is the highest in the history of American banking.

Municipal News & Notes

The tax which New York State collects from employers for the special purpose of unemployment insurance is greater in amount annually than any other tax collected by the State, the Citizens Public Expenditure Survey reported Dec. 1. Collection from this tax for the calendar year 1942 amounted to $176,336,504. This compares with $134,257,803 from all taxes in the corporation tax group and $93,825,329 from the personal income tax.

"Although New York State is among the most liberal of States from the point of view of benefit payments, it is the only large industrial State which has failed to adopt some form of merit rating," according to James H. Moseley, President of the Survey. "Merit rating simply means a sliding scale of tax rates under which employers who provide stable employment pay tax at a lower rate than employers whose heavier labor turnover leads to more claims against the unemployment insurance benefit fund."

A heavy preponderance of employers favor adoption of merit rating in New York State according to preliminary results of a canvass which the Survey has made among employers. The complete results of this poll are being tabulated and will be announced soon.

With tax collections for November and December yet to be reported, the unemployment insurance reserve credited to New York State's account by the U. S. Treasury, to which the State collections are paid, amounts to $563,000,000. The reserve is expected to exceed $600,000,000 by the end of the year. This will be a gain of approximately $200,000,000 in the reserve fund since Jan. 1.

Benefit payments to New York State's unemployed have amounted to $416,916,789 since 1938. These payments reached a peak of $98,979,152 in 1940 and have dropped to $17,080,545 for the first 10 months of 1943.

The rate of payroll tax in New York State is 2.7% on the payrolls of employers of four or more. The U. S. Government collects an additional 0.3% payroll tax for administration of Unemployment Insurance. In New York State employees pay no unemployment insurance tax.

The unemployment insurance tax is separate from several other taxes and funds sometimes confused with it. It should be distinguished from the Old Age and Survivors Insurance (Social Security) tax which is collected by the U. S. Government from a payroll tax. Neither has unemployment insurance any connection with work relief or home relief or with workmen's compensation insurance.

(Editor's Note—With reference to the foregoing report, it should be borne in mind that the huge unemployment reserve fund credited to New York State has been created for and is available for only the specific purpose of paying unemployment compensation benefits to its unemployed. It is in fact a trust fund and in no sense should be used in determining, for example, the amount of surplus in the State Treasury as a result of an excess of income from "regular" State taxes and other sources over the costs of operating the State's activities. This applies, of course, with equal force to the other States, at least one of which was reported recently to have treated its unemployment compensation fund as credited by the U. S. Treasury in determining the amount of surplus available for payment of outstanding indebtedness. The fact of the matter is that in event of another era of unemployment, the reserve fund of New York and the other States would rapidly decrease as a result of large demands on these funds.)

Halsey, Stuart Group Offers Arkansas Water Issue

Halsey, Stuart & Co., Inc., are heading a group which is offering at prices to yield 0.75% to 2.75%, according to maturity, $2,075,000 City of Hot Springs, Arkansas, 3% water revenue bonds due annually from 1945 to 1983.

The bonds, in the opinion of counsel, constitute valid and binding obligations of the City of Hot Springs, payable solely from the gross revenues of the waterworks system to the extent necessary, and are secured by a statutory mortgage lien on the waterworks plant and system.

The City is obligated to fix rates and collect charges for the services furnished by the system so as to provide revenues sufficient to pay interest and principal when due and all operation, maintenance and depreciation charges.

The City of Hot Springs is a commercial and trading center for the surrounding area and is known as an outstanding health resort. The population served by the waterworks system is estimated at approximately 33,000.

Associated with Halsey, Stuart & Co., Inc., in the offering are Blair & Co., Inc.; Stifel, Nicolaus & Co., Inc.; Eldredge & Co., Inc.; Walter, Woody & Heimerdinger; Lewis W. Cherry Co., and E. L. Villareal & Co.

Office Building Service Workers Not Under Wage-Hour Law Is Ruling

A ruling in favor of the Borden Co. in a suit brought by service employees of its main office building, 350 Madison Ave., New York City, was handed down on Dec. 7 by Federal Judge Edward A. Conger in the U. S. District Court in New York.

The following regarding the ruling was reported in the New York "Times" of Dec. 8:

"The plaintiffs had argued that they were entitled to the wage and hour benefits of the Federal Fair Labor Standards Act of 1938, contending that the company's activities in the building constituted 'production of goods' for interstate commerce. Judge Conger rejected this contention, remarking that the nearest thing to production was the emanation from the building of rough plans for labels and advertising, and some photostats. The court held also that the employees' duties as elevator operators and the like did not contribute to interstate commerce.

"His ruling followed precedents set in other cases where office building employees have been found exempt from the act's provisions, while service workers in loft or factory buildings where goods are produced have received the law's benefits."

A previous ruling in this matter appeared in these columns of Jan. 8, 1942, page 113.

Central & South American Dollar Bonds Surveyed

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, have prepared an attractive brochure surveying Central and South American Dollar Bonds with reference to profit potentialities. Copies of the booklet discussing the situation in detail may be had from E. F. Hutton & Co. upon request.

Klybert Sees Tax Considerations Justifying Buying Securities on Dips

Tax considerations are, and for some time ahead, will remain, a major factor in all transactions on the security markets. This fact carries more than mere general significance, because present **almost unbearably high income taxes have a tendency to force men of means into the security markets in search of capital gains, on which the tax is limited to 25%.**

Under today's income taxation only $23,408.14 can be retained by a taxpayer, on income of $100,000. On incomes over $100,000 (as Taxation Editor Godfrey Nelson points out in the N. Y. Times), the tax increases, and the income remaining diminishes.

Obviously, when a man in the higher tax bracket observes that, no matter how high his income goes, he must pay out 75% or more in taxes, he will search out opportunities for capital gains (on securities held over six months), on which he pays but 25%.

True, at times this condition will also invite the taking of capital losses, particularly short-term losses, on securities held less than six months, which are deductible in full from capital gains. But the amount of **net capital losses** (i. e., losses in excess of gains, in one taxable year) is limited to a very small amount, as far as the high-bracket taxpayer is concerned. Therefore, the obvious tendency will be to hold securities, especially securities where the degree of undervaluation can be clearly shown, until a long-term capital gain can be taken.

Therefore, again, periods such as the present, during which fears that "peace might break out," or other temporary psychological aberrations cause an apparent disregard of real values, should be, and doubtless will be regarded by discerning investors as periods of unusual opportunity. Whether the war be short or long, for example, I regard RAILROAD REORGANIZATION BONDS, at their present levels, as outstandingly attractive. One may look ahead to substantial prosperity for the railroads for at least several years to come, even though they may earn less than the extraordinarily large revenues of 1942-43. A short war, with its ensuing vast needs for rebuilding, and reconversion of war factories to peace-time products, would also imply lessened taxation, elimination of post-war contingency reserves, plentiful labor supply. The Reorganized Railroads, meeting this condition completely rehabilitated, both physically and financially, should find investors giving full recognition marketwise to their restored credit, and to their proven superiority for low-cost, high-speed, efficient transportation. — *L. H. Klybert, Josephthal & Co.*

Cuban Sugar Outlook

The expanding domestic and world demand for sugar and its derivatives will find Cuba the principal beneficiary, according to a study of the outlook for Cuban sugar production prepared by Lawrence Turnure & Co.-Blyth & Bonner, 50 Broadway, New York City, members of the New York Stock Excchange and other leading exchanges. Copies of this study discussing the outlook, and containing a review of four of the sugar companies which the firm considers are in a favorable position may be had from Lawrence Turnure & Co.-Blyth & Bonner on request.

$3,097,000

(Balance of an authorized issue of not exceeding $10,760,000)

Baltimore and Ohio Railroad Equipment Trust, Series M

3% Equipment Trust Certificates
(PHILADELPHIA PLAN)

To be due semi-annually $163,000 on each May 1 and November 1, from May 1, 1944 to May 1, 1953, inclusive.

To be guaranteed unconditionally as to principal and dividends by endorsement by The Baltimore and Ohio Railroad Company.

These Certificates are to be issued pursuant to an Agreement and Lease dated as of May 1, 1943, and to a Supplemental Lease of Railroad Equipment dated November 29, 1943, and are a part of an aggregate principal amount of not exceeding $10,760,000 originally issuable under said Agreement and Lease. Certificates in the principal amount of $7,500,000 have heretofore been issued of which $375,000 principal amount matured on November 1, 1943, and has been duly paid. Upon issuance of the present $3,097,000 principal amount of Certificates the Company will pay to the Trustee advance rent equal to the $163,000 principal amount which would have matured on November 1, 1943, if all the Certificates originally issuable under the Trust had been issued prior to November 1, 1943. No additional Certificates may be issued. The aggregate principal amount of Certificates (including the present issue) to be outstanding is $10,222,000, which amount now will represent approximately 95% of the cost, estimated to be not less than $10,780,000, of new standard-gauge equipment.

MATURITIES, YIELDS AND PRICES

May	1944	0.85%	November	1947	2.45%	May	1951	100.75
November	1944	1.10	May	1948	2.55	November	1951	100.63
May	1945	1.45	November	1948	2.65	May	1952	100.50
November	1945	1.75	May	1949	2.70	November	1952	100.38
May	1946	2.00	November	1949	2.75	May	1953	100.25
November	1946	2.15	May	1950	2.80			
May	1947	2.30	November	1950	2.85			

Issuance and sale of these Certificates are subject to approval by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

OTIS & CO. (INCORPORATED)
A. C. ALLYN & COMPANY INCORPORATED
DEMPSEY-DETMER & CO.
SCHWABACHER & CO.
STIFEL, NICOLAUS & COMPANY INCORPORATED
THE FIRST CLEVELAND CORPORATION
KEBBON, McCORMICK & CO.
ALFRED O'GARA & CO.
SINGER, DEANE & SCRIBNER
STIX & CO.
WALTER STOKES & CO.
F. S. YANTIS & CO. INCORPORATED

To be dated May 1, 1943. Principal and semi-annual dividends (May 1 and November 1) payable in New York City and Philadelphia. Definitive Certificates in coupon form in the denomination of $1,000, registerable as to principal. Not redeemable prior to maturity. These Certificates are offered for delivery when, as and if received by us. It is expected that Certificates in definitive form will be ready for delivery in New York City on or about January 7, 1944. The information contained herein has been carefully compiled from sources considered reliable, and while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

December 16, 1943.

Halsey, Stuart Group Offer Equipment Trusts

Offering is being made today by a group headed by Halsey, Stuart & Co., Inc., of $3,097,000 Baltimore and Ohio Railroad Equipment Trust, Series M, 3% Equipment Trust Certificates maturing semi-annually from May 1, 1944, through May 1, 1953, at prices ranging from a yield of 0.85% for the May 1, 1944, maturity to a price of 100.25 for the May 1, 1953, maturity. The certificates, offered subject to Interstate Commerce Commission approval, were awarded to the bankers yesterday on their bid of 100.057.

The certificates are being issued under the Philadelphia Plan, and are to be guaranteed unconditionally as to principal and dividends by endorsement by The Baltimore and Ohio Railroad Company.

Crude Oil Price Rise Of 35 Cents Voted By House

The House, overriding protests that it was encouraging inflation, on Dec. 13 voted to order the Office of Price Administration to boost crude oil prices not less than 35 cents a barrel, according to an Associated Press dispatch from Washington, D. C., which adds:

Passed by a standing vote of 171 to 92 after a day-long fight, the legislation directed the OPA to fix crude prices not lower than 80% of parity and not higher than 100% of parity. Based on current prices of about 60% of parity, the increase will range from 35 cents to 74 cents. Prices vary widely but the national average now is about $1.18 a barrel.

Oil parity is a price based on the index price of all commodities included in the Labor Department's wolesale commodity price index.

In a last-minute shift of plans, backers of the bill abandoned a drive to take oil price administration from the OPA and give it to Harold I. Ickes, Secretary of the Interior, as head of the Petroleum Administration for War. An amendment striking the PAW from the measure and restoring OPA was adopted by a 72 to 49 vote.

The bill now goes to the Senate.

N. Y. Stock Exchange Weekly Firm Changes

Transfer of the Exchange membership of David A. Lowry, partner in Carlisle & Jacquelin (which will continue as a member firm), to George A. Whiteside, who will continue as a partner in Francis I. du Pont & Co., will be considered on Dec. 23.

Attractive Situation

Carolina Power & Light Co. common stock, when issued, offers an interesting situation according to a circular being distributed by Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this detailed circular may be obtained from Bear Stearns & Co. upon request.

Tom Moore Distilling Situation Of Interest

Baker, Simonds & Co., Buhl Bldg., Detroit, Mich., members of the Detroit Stock Exchange, will send late figures on Tom Moore Distilling on request.

Graham Is Ky. Colonel

Thomas Graham of the Bankers Bond Co., Louisville Home Life Bldg., Louisville, Ky., was appointed a colonel with 125 others on the Governor's staff by the retiring State Governor Johnson.

STRIKE THREE!

(Continued from page 2415)

the SEC in which the petitioner's registration as a broker and dealer was revoked.

We quote pertinent parts of the opinion of the Court [opinion in its entirety appears in this issue, starting on page 2418—Editor] consisting of Circuit Judges Hand, Chase and Clark:

> "* * * The dealings which resulted in the revocation were continued sales of securities to customers at prices very substantially over those prevailing in the over-the-counter market, without disclosure of the mark-up to the customers. The Commission concluded that such practices constituted fraud and deceit upon the customers in violation of Section 17 (a) of the Securities Act, Section 15 (c) (1) of the Securities Exchange Act, and its own Rule X-15C1-2.
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> "The prices which Mrs. Furbeck and other customers paid for the securities purchased in this manner ranged from 16.1 to 40.9% over market value. In addition, most of the transactions involved little or no risk for petitioner, because an order was usually confirmed before it bought the securities that it was selling. There is conflict in the record as to whether Stillman and Armstrong made any direct representations to Mrs. Furbeck of the relation of the price paid to market value. She claims that every time she made a purchase it was directly induced by the statement that the price would be under that current in the over-the-counter market, while they deny such statements completely. It is unchallenged, however, that at no time did either Stillman or Armstrong reveal the true market price of any security to Mrs. Furbeck or the fact that petitioner's profits averaged around 25%. Similar evidence as to other customers all amply furnished the 'substantial evidence' required by the statute to make conclusive the Commission's finding of a course of business by petitioner to sell at excessive mark-up prices without disclosure of market values to its customers. * * * (Stillman and Armstrong were salesmen of the petitioner).
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> "* * * It is true that the only specific evidence of false statements of a material fact is that of Mrs. Furbeck that the sales price was under the market price, and, as we have noted, these statements were denied by the salesmen. Although the Commission has neglected to make any finding of fact on this point, we need not remand for a specific finding resolving this conflict, for we feel that petitioner's mark-up policy operated as a fraud and deceit upon the purchasers, as well as constituting an omission to state a material fact.
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> "An over-the-counter firm which actively solicits customers and then sells them securities at prices as far above the market as were those which petitioner charged here must be deemed to commit a fraud. It holds itself out as competent to advise in the premises, and it should disclose the market price if sales are to be made substantially above that level. Even considering petitioner as a principal in a simple vendor-purchaser transaction (and there is doubt whether, in several instances at least, petitioner was actually not acting as broker-agent for the purchasers, in which case all undisclosed profits would be forfeited), it was still under a special duty, in view of its expert knowledge and proffered advice, not to take advantage of its customers' ignorance of market conditions. The key to the success of all of petitioner's dealings was the confidence in itself which it managed to instill in the customers. Once that confidence was established, the failure to reveal the mark-up pocketed by the firm was both an omission to state a material fact and a fraudulent device. When nothing was said about market price, the natural implication in the untutored minds of the purchasers was that the price asked was close to the market. * * *
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> "Petitioner's final contention is that the actual market price of the securities was never satisfactorily proved. We agree, however, with the Commission that the evidence of the quotations published in the National Daily Quotation Sheets, a recognized service giving 'daily market indications' as petitioner stipulated, and the prices paid concurrently by petitioner itself sufficiently indicated prevailing market price in the absence of evidence to the contrary."

The opinion also contains the following most important footnote:

> "The Commission points out that the National Association of Securities Dealers, Inc., an organization registered under Section 15 A of the Securities Exchange Act, of which petitioner was a member at the time of the transaction in question, has a rule limiting mark-up prices in over-counter securities to those which are fair, and calls attention to a decision of the Association's District Business Conduct Committee reported in the NASD News for October, 1943, imposing a fine of $500 and censure upon a member found to have violated rules of the Association by a practice of charging mark-ups of approximately 10% on transactions in listed and unlisted securities. * * *"

The Court approves the conclusion of the Securities and Exchange Commission that sale of securities "priced substantially" above the over-the-counter market price, without disclosure of the mark-up to the customers, constitutes fraud and deceit.

Here is a fine kettle of fish. What is the over-the-counter market price on a given security? Is it always definitely ascertainable? Assuming for the sake of argument only that it is, at what level does a security commence to be priced "substantially" above the market? Clearly, in the absence of legislation, whether by Congress, or by rules of the SEC or NASD, which means the same thing, no one can tell.

In the future, therefore, to play absolutely safe, a dealer will have to show his mark-up and profit on all confirmations to customers. In other words, to put into operation a complete price and profit disclosure rule, which the SEC has long been angling for, but which active security dealer opposition had thus far kept out of the books.

In the opinion of the writers, this drastic decision coupled with the existing NASD 5% rule, will put the dealer in the following position: In any sale in which there is a larger spread than 5%, failure to disclose to the customer the extent of the spread may be interpreted as a fraudulent and deceitful practice, subjecting the dealer to the possible loss of his license.

It is generally understood that the 5% "philosophy" of the NASD was based upon the representation that unless such a rule were adopted, the security dealers would be saddled with a disclosure rule. Now the SEC has both. All the effort, energy, and opposition, which till now, has prevented the passage of the rule by the SEC—all these have absolutely come to naught.

The small dealer cannot possibly survive on a 5% spread, particularly where he employs salesmen, because it is indisputable that the cost of doing business exceeds 5%.

Our articles in the "Financial Chronicle," and others, foresaw the doom of the small dealer if the NASD "philosophy" was enforced, and now the Court cites the action of one of the Association's District Business Conduct Committee in support of its opinion.

We wonder whether the revocation of the license of Charles Hughes & Co., Inc., was based upon its answers made to the questionnaire in the NASD survey. That survey was cited by the SEC in its brief to bolster its contentions.

We deem it unfortunate that the Hughes case should have reached the Circuit Court of Appeals. A discussion of the numerous reasons upon which our judgment is based would be too lengthy for one publication, but here are some of them.

During the early hearings before the SEC, the dealer was not represented by counsel. Later one of the attorneys representing the dealer, declared he was unprepared to proceed, but the Commission nevertheless forced him on. We believe it was a serious mistake to permit, without objection, the admission into evidence of the National Quotation sheets as proof of market price. As we demonstrated in the case of Hallgarten & Lee, sales, and not quotations, are the true index of the market. In that case, the Court held that the National Quotation sheets proved neither market price between dealers, nor market price to the investing public.

The Hughes hearing before the Commission was conducted as if the delivery of the securities sold was of paramount importance, when in fact, that question was never at issue.

The entire trial record before the Commission was a very poor one from the dealer's standpoint. The Circuit Court of Appeals based its decision upon that record.

Any Court's opinion can be representative if based upon a record which truly indicates the actual customs and practices in the security sales field; but representative or not, the decision in the Hughes case is now a precedent. Armed with it, and with the NASD "5% spread rule," as two clubs, the Securities and Exchange Commission will make security dealers who have hitherto complained of bureaucracy, realize what firm oppression can really be.

We believe the Hughes case has given the SEC its most sweeping and complete victory, a hammerlock on the security business, which will throw many an average security dealer for a fall from which there will be no rising.

Saying we told you so, is of no help. In this emergent condition, the inaction resulting from a reign of fear which has gripped over-the-counter dealers, may also result in their disintegration.

Is there hope? Yes! Provided the industry is vigilant and sees to it that in all pertinent cases before the Securities and Exchange Commission and Business Conduct Committees of the NASD the proper ground work is laid to establish the true custom and usage in the securities field which would make it clear that each transaction stands or falls on its own merits.

The CHRONICLE invites comments on the views expressed by Messrs. Metz and Kole in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York 8, N. Y.

Hughes Decision Stuns Dealers

(Continued from page 2415)

have stopped in the past, and must stop now, in marking up securities so as not to be subject to criminal prosecution, revocation of his dealer-broker license and rescision of contracts.

If the NASD's destructive, illegally adopted 5% profit limitation rule is OBSERVED the answer is a 5% mark-up, it seems to us. FORTUNATELY, most dealers are ignoring the 5% decree and the same thing may be said to the credit of some of the Business Conduct Committees of the Association.

As previously stated if this 5% rule is permitted to stand it will mean the ruination of the small dealer in all parts of the country and it is the duty of the Board of Governors to rescind it in view of the autocratic manner in which it was foisted on the Association's membership. We would go further than this and say **there should be no more attempts made to put a ceiling of any kind on the profits of dealers.** It is just impossible to lay down a blanket rule that would apply to mark-up practices generally. Each transaction must stand on its own feet and anyone that argues otherwise in our opinion is rendering a distinct disservice to the investment industry and our whole system of free enterprise. To argue that a direct or indirect ceiling should be placed on profits, on a sliding scale, or otherwise, to stave off the imposition of a worse rule by the SEC is like settling for socialism instead of communism and we should utterly avoid anything of the sort as we would a plague. And, don't be fooled by talk to the effect that entirely too much stress is laid on the "5%" phase of the rule because a dealer can take a position in a security and if it moves up adequately he can make 50 or 100% profit on a resale. Certainly he can. But those are not profits that he makes as a dealer. Those are profits that accrue to him just as would be the case with any other investor for he is in such instances in a category with an investor.

Back in 1940 when the SEC gestapo first became active it began scrutinizing dealer transactions that involved mark-ups of more than 15%. Then in 1941 they began taking exception to mark-ups of more than 10% and now they seem content to see this reduced to 5%. And while we are on the subject we would like to ask how the members of the NASD's Business Conduct Committee that sat in on that 10% mark-up case arrived at the conclusion that such a mark-up was not consonant with the practices of the trade—that it was exorbitant? Did they put in years of study on the subject or did they just swallow that sort of talk from the guiding genius of the NASD—Wallace H. Fulton—who seems to do everything but sleep with the SEC?

Yes, the obvious need of the whole investment industry is for a national protective association to fight the battles of dealers and brokers, to restore their financial health. Certainly the way to such recuperation is not for the big dealers to indulge in cannibalistic tactics by devouring the little dealer. The thing to do is to see that the rights of all are restored and if this is not done you may be sure the SEC will put one firm after another out of business until none is left.

Organized effort to have the 5% rule upset will shortly be apparent. As previously stated, IT MUST NOT AND WILL NOT stand. Individual dealers and dealer associations all over the country should make their voices heard in a resounding manner toward this end and they will wake up some fine morning in the not distant future to find there is no longer such a rule. If necessary, the Chronicle feels certain, dealers will have no difficulty in enlisting the aid of Congress in their behalf. Congress, as a whole, you may be sure, will not be indifferent to the plight of the smaller dealers throughout the country, even if the SEC is.

Those interested in the subject will want to read "Strike Three!" by Messrs. A. M. Metz and E. A. Kole which starts on page 2415 of this issue.

All letters on this subject which have been received and could be accommodated in this issue are given, starting on page 2415. No letter favorable to the 5% decree has been omitted. And don't forget that in informing the Chronicle of your views on the subject you are helping the cause in a substantial manner. The names of those submitting comments will be omitted where requested. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Spruce Street, New York 8, N. Y.

Supreme Court Refuses To Hear Plea On Fla. Tax On Debit Balance

According to a special Washington dispatch Dec. 13 to the New York "World-Telegram" the U. S. Supreme Court on that day refused to review a Florida Supreme Court decision upholding taxation by the State of so-called debit balances in a Florida branch of the New York brokerage firm of Thomson & McKinnon. The action in effect sustains the State court ruling, said the advices, which added:

"The case arose from a suit brought by Thomson & Mc-Kinnon against the tax assessor and collector for Dade County, Miami, seeking to stop imposition of the Florida intangible property tax. The firm contended that the domiciliary ownership of the Miami office debit balances was in New York.

"But the Florida court held that since customers reside in Florida, the original payments were made to them in Florida and interest and brokers commissions are paid in that State, the balances are subject to the State levy. The U. S. Supreme Court dismissed an appeal for lack of Federal jurisdiction."

Los Angeles Investment Statisticians Elect

LOS ANGELES, CALIF.—Members of the Investment Statisticians' Association of Los Angeles held their annual dinner meeting yesterday at the Los Angeles Athletic Club and elected the following new officers for the coming year:

President, Roger Pile, Wyeth & Co.; Treasurer, Mrs. Mae E Leake, Hill, Richards & Co.; Secretary, Walter Weeks, O'Melveny, Wagenseller & Durst.

Retiring officers who served during 1943 are: K. D. Sanson, of Bateman, Eichler & Co., President; L. W. Taylor, of Mitchum, Tully & Co., Treasurer, and J. R. Laznick, of Crowell, Weedon & Co., Secretary.

By custom, the retiring President serves on the Board of Governors in the coming year, as do the newly elected officers. Other members of the Board of Governors are L. W. Taylor, of Mitchum, Tully & Co.; J. R. Laznick, of Crowell, Weedon & Co., and K. Arnold Liljegren, of Pacific Co.

G. Hermann Kinnicut Dead

G. Hermann Kinnicutt, a senior partner in Kidder, Peabody & Co., New York City, died at his home of a heart ailment at the age of 66.

Mr. Kinnicutt began his career in Wall Street with J. P. Morgan & Co., with which he was associated for six years. In 1904 he organized his own investment banking firm under the name of Kinnicutt & Potter, succeeded in 1906 by Kissell, Kinnicutt & Co. The firm continued under that name until 1931 when it was merged with Kidder, Peabody & Co., of which Mr. Kinnicutt became a partner.

New Brazil Plan

Zippin & Company, Inc., 208 South La Salle Street, Chicago, Ill., have prepared copies of the new Brazil Plan. These may be obtained upon request from Zippin & Company, Inc.

Tomorrow's Markets Walter Whyte Says——

Continued from page 2418)

any advance. But between 136 and 137 I think the market will run into enough offerings to stop the forward surge. From that level a period of dullness can be expected. Once that is seen the next cycle calls for another decline. On this decline I believe stocks should be bought.

* * *

This picture is obviously not one that can be laid down and followed line for line. That would be too much to expect of anything as volatile as the market. But the pattern is there, and from what I can see of current market action, I believe it will hold for the next few weeks.

* * *

Two days after I wrote last week's column advising a list of stocks, they started up and added anywhere from one to three points to the prices I had in mind as buying levels. Obviously, the stocks were not available, with the exception of Western Union "A" which was to be bought between 42½ and 43½; at this writing 43. If in the near future the other stocks get down to last week's buying points the advice to take positions continues in effect.

* * *

The stocks and prices are as follows: American Car & Foundry, buy 28½-29½, stop at 27. American Steel Founders, buy between 21½ and 22½ and stop at 20. Dome Mines, buy at 20½-21½, stop at 19. U. S. Steel, buy at 49¾ to 50¼, stop at 47. The last one in the list is Youngstown Sheet, 34½ to 35½ with a stop at 33.

* * *

So far as I can see now, the above list will hold good for the next few weeks. But I cannot foresee national or international developments which may affect the entire price action. But until advice to the contrary appears here, the stocks and the prices that are recommended hold good.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

IBA Announces 37 New Members Of Ass'n

The Investment Bankers Association of America announced on Dec. 2 the election of 37 new members. They include:

Bankers Trust Co. of Detroit, Bonner & Gregory, New York, Caldwell Phillips Co., St. Paul, Central Hanover Bank and Trust Co., New York, Central-Penn National Bank of Philadelphia, The Citizens & Southern National Bank, Atlanta, Commonwealth Bank, Detroit, Corn Exchange National Bank and Trust Co., Philadelphia, Dempsey-Tegeler & Co., St. Louis, Detroit Trust Co., Detroit, A. G. Edwards & Sons, St. Louis, Allen C. Ewing & Co., Wilmington, N. C., Fidelity-Philadelphia Trust Co., Philadelphia, The First National Bank of Atlanta, The First National Bank of Philadelphia, Hettleman & Co., New York, Hibernia National Bank in New Orleans, Holsapple & Co., New York, E. R. Jones & Co., Baltimore, Land Title Bank and Trust Co., Philadelphia, Mabon & Co., New York, Mercier, McDowell & Dolphyn, Detroit, Mullaney, Ross & Co., Chicago, National Bank of Detroit.

The Pennsylvania Co. for Insurance on Lives and Granting Annuities, Philadelphia, Quigley & Company, Inc., Cleveland, Irving J. Rice & Co., St. Paul, Wm. C. Roney & Co., Detroit, Saunders, Stiver & Co., Cleveland, Siler, Roose & Co., Toledo, Taylor, Deale & Co., New York, Tradesmen's National Bank and Trust Co., Philadelphia, Union Bank & Trust Co. of Los Angeles, C. E. Unterberg & Co., New York, Varnedoe, Chisholm and Co., Inc., Savannah, J. A. White & Co., Cincinnati, Arthur Wiesenberger & Co., New York.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

The Exchange membership of Albert E. Fagan was transferred to Anton W. Herbeck on Dec. 2.

Transfer of the Exchange membership of George A. Whiteside to A. Rhett du Pont will be considered by the Exchange on Dec. 13th.

Isabelle G. Kaufmann and Abraham Ungerleider, both limited partners, retired from Fagan & Co., New York City, on Nov. 30th.

William H. Guthy, member of the Exchange, withdrew from partnership in Lamm, Guthy & Co., New York City, on Nov. 30th.

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Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges

N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Restoration Of American Freedom Pattern For World Liberty: Bricker

(Continued from page 2438)

The United States must help in every possible way to restore order and decent living throughout the world. We must do our full share in maintaining adequate instrumentalities of peace. And for these purposes, the United States will take her place in a cooperative organization among sovereign nations after this war.

Our desires for peace must be implemented by a practical and definite program. The details will be worked out in the light of developing conditions and after full conference and open discussion. Our peace must ultimately rest upon the understanding and approval of the people of the United States. The preservation of peace is a constant and continuing obligation.

We want no super-government—no dictatorial State, to which we are subservient. We want no central world authority over us. Nor, do I believe, does any other sovereign nation want a central world authority over it.

An international cooperative organization, whatever precise form it may take, can wield a tremendous influence toward peaceful solution of the international problems which have led to war. These problems include trade barriers of all kinds, access to raw materials, exploitation of undeveloped resources, commercial rivalries, air and water rights, especially monetary stability. Such an international organization must be founded on continuous close-working collaboration.

This would be a long step and it is realistic. It respects the American point of view. And it has a background of experience that shows its worth. With such a forum established, international disputes can and must be settled by arbitration and judicial decisions. When such habits of peace are formed and supported by the strong nations, we can again hope for relief from the burdens of war.

We must move forward with the confidence that the American people will work in full cooperation with the nations of the world in the days of peace. Only in that hope and confidence can we plan or establish a just order of international relationships. A confidence in the people and their leaders in the years ahead as well as in ourselves requires that we do not attempt to place this or any other nation in an international strait-jacket. A will for peace must be transmitted by us to those who follow.

II

But we know that it is the domestic policy we live by here at home which in the long run will largely determine the part this nation will play in world affairs. We cannot carry out our promises or fulfill our ideals unless America is strong. We can give only when we have something to give. We can inspire others to achieve liberty only when we keep it here. We cannot lift the standards of living of other peoples of the world unless we keep our own standards high.

During the past ten years, our Federal Government has been launched upon a course leading to the destruction of our form of government and to the loss of our freedom. I realize that total war necessitates mushroom growth of wasteful bureaucracy and temporary regimentation of the people. It is one of the cynical consequences of war that our democracy is compelled to adopt some of the despotic measures of our enemies in order to defeat them. But it is high time that we awaken to the fact that the war is being used as an excuse to further many dangerous pre-war policies. We have been living for a decade under a growing absolutism. Unless these policies are reversed by the American people, they will unmistakably lead this nation to national socialism.

The Declaration of Independence proclaimed that government must derive its powers from the consent of the governed. Consider what this means. It means that government exists for the protection and benefit of the individual—not that the individual is one of the herd which exists for the benefit of the government. Ours has been a government supported by the people. As long as it remains such, the people will be supreme. Should it become a government which supports the people, then the government and not the people will be supreme and we shall no longer have a government which derives its powers from the consent of the governed.

You will remember that one of the indictments in the Declaration of Independence charged the King in these words: "He has erected a multitude of New Officers and sent hither swarms of Officers to harass our People, and eat out their substance." The men who built the framework of our government, did not propose to set up a representative system framed upon the old patterns. And so they set up a government with powers both divided and balanced. They deliberately framed a system in which government could respond to the forces of public opinion. They separated the legislative, executive and judicial functions of government. And what is even more important, they provided that all powers not specifically granted to the Federal Government should be reserved to the States or to the people. Through their wisdom, they brought into being a larger measure of freedom than any people had ever experienced.

Never until this decade has there been a lowering horizon here. Our eyes have been on ever higher goals. The pattern of absolutism has been foreign to our political philosophy. But during these past ten years, the executive has sought to relegate Congress to a subservient place. An attack was made on the Supreme Court. Then followed a deliberate program of tearing down State and local government. A planned economy by which the people of the country were to be made dependent on Washington was put into operation. We are thankful today that Congress is again taking its proper place in government, supported by an aroused public opinion.

For over ten years we have been governed largely by independent bureaucrats. They are not accountable to the people. They are not directly accountable to Congress. They exercise their power through decrees, orders and directives that are issued in the name of the executive branch of government. They make governmental policy. They administer that policy They exercise the judicial function of interpreting that policy. They are legislature, administrator, prosecutor, judge, jury and sheriff all rolled up in one. They are the personnel of the expanding power of government. This means the rule of men even by whim or caprice rather than by law. All this is not necessary to win the war, it is a method for limiting the liberties of free men. These bureaucrats, in the words of the Declaration of Independence, are "Taking away our Charters, abolishing our most valuable Laws, and altering fundamentally the Forms of our Government."

According to recent figures issued by the United States Civil Service Commission, the number of civil employees of the Federal Government multiplied more than five times between 1933 and the first of this year. In June of 1933 there were 572,000 employees. By the end of November, 1941, one week before Pearl Harbor, there were 1,500,000 of them. By January of this year, this number had increased to almost 3,000,000. At the present time, according to latest estimates, the figure is 3,500,000.

All of these figures are exclusive of persons in the military service and relate to civilian employees only. In Ohio alone, we have today 100,000 Federal civilian employees as against 22,000 State employees. I venture the observation that our forefathers would have considered their phrase "swarms of Officers to harass our people, and eat out their substance" a gross understatement in the light of these facts.

But this does not tell the whole story. Shortly before it expired, a few months ago, the National Resources Planning Board predicted: "Congress will surrender to the Executive the power to tax, and while appropriating huge sums of money, will surrender its power of directing how it shall be spent."

Thank God that a Senatorial committee recognized the potential tyranny in such a sweeping grant of power. It replied that this proposal "would require a virtual abandonment of our present constitutional form of government."

So much for Executive usurpation of the legislative process. Consider for a moment the concentration of power in the Federal Government and the relegation of the States to a minor role. If there has been a dangerous accumulation of authority in the hands of the President to the prejudice of Congress, it is precisely because of the shifting of power from the States to the Federal Government.

A pertinent statement of the evil of centralization of power in the Federal Government is contained in this quotation:

> There is "a present dangerous tendency to forget a fundamental of American democracy, which rests on the right of a locality to manage its own local affairs, the tendency to encourage concentration of power at the top of a governmental structure, alien to our system and more closely akin to a dictatorship. . . . Let us not at this time pursue the easy road of centralization of authority, lest some day we discover too late that our liberties have disappeared."

Those words were not uttered by one of the founding fathers. They were uttered by the present Chief Executive of the United States when he was Governor of the State of New York.

You know what has happened. Step by step, and with relentless determination, the New Deal has sought to arrogate unto itself all power. Sometimes the method has been arrogant and brazen. More often it has been cunning and subtle.

All of this has resulted in a loss of confidence by the people in the executive branch of government which has so long dominated them. And now with many in authority talking about rationing far beyond the war, about permanent controls and restrictions, there is a growing loss of confidence in the ability of this leadership to solve the problems of reconstruction and bring about the full return of American liberty.

A loss of confidence inevitably comes from promises made and not kept. The American people have a right to look upon campaign promises and platforms as solemn covenants to be faithfully performed. We are awakened when the tentacles of bureaucracy tighten around our daily lives. That awakening is here today.

If America is to remain a dominant force for good in the world, if our people are to continue to enjoy self-government, policy-making power must be taken from the hands of bureaucrats and returned to the elected representatives of the people.

The war power of our Government must be adequate. But the growth of Federal power should be restricted to necessity. It must be honestly and efficiently administered. It must never be used to engraft an un-American philosophy of socialism or absolutism on our people. These powers are only loaned for the war period and must be dissolved as soon as the war is won and liberty restored.

Great impetus would be given to the war effort by ending now the administrative chaos, confusion, extravagance, incompetence and bureaucratic oppression at home. It is irony enough that those who are now fighting for us will come home to a national debt under which they will labor throughout their lives. We should not add to it by wanton waste. In an awakened new faith the people everywhere should demand that initiative be encouraged; that business, including small business, be strengthened; and that State and local governments be restored to their proper place of power. Open our courts to all who have been deprived of their rights by orders and directives and where redress is now denied or discouraged. We want the shackles of bureaucracy removed and the creative genius of our people set free.

And creative genius must be set free! Our depleted resources must be replaced. We can make the products and materials that other people want. We have proved our power to build machines—to expand beyond the comprehension of defeatists—and to build as no people on earth the things that will raise the standards of living here and in the other nations. This does not mean the loss of any social gain but it would prevent perpetuating the causes of poverty and distress.

Tomorrow can mean greater international trade than ever before. That trade will be in new fields and in new things. It will enlarge the commerce of other nations. It will lift the standards of others without tearing ours down. But these new horizons cannot be reached unless the creative genius of our people is released and encouraged. That genius will not be released and investment will not be encouraged unless government refrains from regimentation and from taking too much of the income of the people for the ordinary functions of government. We can now only estimate what our national income should be in the years ahead. But it must be at a higher level than prevailed in 1940; and it must be based upon an expanded agricultural and industrial economy in our country which has already gone beyond the dreams of those who have planned for America.

The American wants to work. He doesn't mind hard work. He never has courted ease and he doesn't today. Tomorrow cannot be built upon a life of ease and scarcity. It must be built upon work and abundance. The returning soldier wants security through opportunity. The thrill of his life will come from working—from accomplishment. He wants life to be worth living. He wants a hand in building the great industrial machines of tomorrow—in creating a better community and nation—and he wants a life of peace for himself and his children.

III

And this leads me to my final thought. Our moral and spiritual standards must be strengthened. Corruption in public office, greed for money and power in time of danger, disregard of life and human welfare, breach of public and private trust are evidences of moral and spiritual degeneration.

The strength of America rests upon reverence and consecration in every day human relationships and the practice of the human virtues of truth, love, kindness and abiding faith.

America will in the years ahead reflect the personal lives of our people, the strength of our homes, the spirit of our churches, the patriotism and work of our schools. In recent years terrifying rifts have been created among the various groups and classes within our nation. The rift between management and labor, between various groups in our economic and social life, between races and religious faiths, has weakened America. Tomorrow these grievances must be healed and a roadway of Good Will built among all our people. Then truly will the dream of America come to pass and the hope of the founding fathers be realized. More boys and girls and men and women than ever before in our history are offering their lives that this dream may become real. When millions have faith enough in an ideal to die for it, the rest of us must have faith enough to consecrate our lives and our services for it.

"Today's Investment Problems—A Solution"

Arthur Wiesenberger & Co., 61 Broadway, New York City, members of the New York Stock Exchange, specialists in investment company securities, have issued a pamphlet, "Today's Investment Problems—A Solution," based on a study of 40 leading organizations with current assets of more than $600,000,000. As a hedge against inflation, the pamphlet points out, a $10,000 investment in some of these stocks can offer as great an opportunity for appreciation as would $100,000 placed in standard high-grade common stocks.

Six special reasons are advanced for the purchase of investment company stocks, these being in addition to the factor of a hedge against inflation, the element of protection based on expert selection of investments; yields of as much as 5½ to 6½% on preferred stocks; discounts of 20 to 35% from current liquidating values; dividends on some stocks not taxable as current income, and their availability as tax sale replacements for doubtful securities.

"Records are available," the pamphlet states, "showing that most investment companies do as well as the market averages and many do better."

Copies of this interesting pamphlet may be obtained from Arthur Wiesenberger & Co.

"Let The Dealer Beware!"

In the book "Let the Dealer Beware!" reference is made to the various court decisions and Commission rulings that would have a bearing on the conduct of those in the securities business. Keane's Publications, 32 Broadway, New York 4, N. Y., are offering this book, together with a practical interpretation of a decision just handed down by the Circuit Court of Appeals in the case of a dealer who was attempting to have the SEC's revocation of his dealer-broker license set aside, may be had in combination for the special price of three dollars. Each publication separately is two dollars per copy. Copies may be obtained from the publisher.

E. Perkins To Admit

ROCHESTER, N. Y.—Erickson Perkins & Co., Powers Building, members of the New York Stock Exchange, will admit Milton W. Holm to partnership in their firm on Jan. 1, 1944.

Calendar Of New Security Flotations

OFFERINGS

CLEARING MACHINE CORPORATION

Clearing Machine Corporation has filed a registration statement for 20,000 shares of common stock, $1 par value. The shares registered are already issued and outstanding and do not cover new financing by the company.

Address—6499 W. 63rd Street, Chicago, Ill.

Business—Manufacture of metal working machinery.

Underwriting—Bacon, Whipple & Co., Chicago, head the list, with names of others to be supplied by amendment.

Offering—Price to public to be supplied by amendment.

Proceeds—The shares registered and to be offered are being sold by certain stockholders of the company who will receive the proceeds from the sale. The stockholders in the selling group and number of shares being sold are: Henry P. Isham, individually, 2,000; Henry P. Isham, trustee, 366; Henry P. Isham, trustee, 366; Henry P. Isham, trustee, 366; Elisabeth T. Isham, 796; John I. Shaw, nominee, 1,597, and Rudolph W. Glasner, 14,509. The latter is president, treasurer and director and held prior to proposed sale 30,272 shares.

Registration Statement No. 2-5258. Form S-1. (11-22-43.)

Clearing Machine Corp. filed an amendment on Dec. 6 restating the number of shares of common stock to be sold at 19,000. Initial offering price is given at $11.25 per share. Underwriters are Bacon, Whipple & Co., Chicago, 11,000 shares; Farwell, Chapman & Co., Chicago, 5,000, and Newhard, Cook & Co., St. Louis, 3,000. The shares registered are issued and outstanding and are being sold by certain stockholders. In the amendment the number of shares being sold by John I. Shaw, nominee, for Clark Street Association, is given as 597 in place of the 1,597 shares named in original statement.

Offering—19,000 shares (par $1) offered Dec. 14, 1943 at $11.25 per share by Bacon, Whipple & Co., Farwell, Chapman & Co. and Newhard Cook & Co.

P. R. MALLORY & CO., INC.

P. R. Mallory & Co., Inc., has filed a registration statement for 60,000 shares of 4¼% cumulative convertible stock, par $25 per share, and 60,000 shares of common, without par value, latter reserved for the conversion of the preferred stock.

Address—3029 East Washington Street, Indianapolis, and 6 East 45th Street, New York City.

Business—Business consists of the manufacture and sale of specialized metallurgical, electrical and electronic products, for a wide range of applications in the aeronautical, automotive, electrical, radio, communication, transportation and general industrial fields.

Underwriting—Lee Higginson Corporation.

Offering—Price to public plus accrued dividends from Oct. 1, 1943, will be filed by amendment.

Proceeds—Will be added to the general funds of the company. Company is obtaining these additional funds with a view to using them in connection with conversion from wartime to peacetime operations and the re-establishment and expansion of its peacetime business.

Registration Statement No. 2-5261. Form A-2. (11-29-43.)

P. R. Mallory & Co., Inc., has filed an amendment to its registration statement with the Securities and Exchange Commission in which it gives the public offering price on the 60,000 shares of 4¼% cumulative convertible preferred stock at par ($25 per share), less underwriting discount or commissions of $1.25, netting company $23.75 a share or a total of $1,425,000. Offering price to public is plus accrued dividends from Oct. 1, 1943. Lee Higginson Corp. is principal underwriter. Net proceeds will be added to the general funds of the company. Company also registered 60,000 shares of common stock, without par value, to be reserved for issuance solely upon conversion of the preferred shares.

Offered Dec. 15, 1943, at $25 per share and div. by Lee Higginson Corp.

UTAH POWER & LIGHT CO.

Utah Power & Light Co. has filed a registration statement for $37,000,000 first mortgage bonds, Series due 1973. Interest rate will be supplied by amendment.

Address — Kearns Building, Salt Lake City, Utah.

Business—Is a public utility operating in southeastern Idaho, northern and central Utah and southwestern Wyoming.

Underwriting—The bonds will be offered for sale by the company pursuant to the competitive bidding rule of the Commission. Names of underwriters will be supplied by amendment.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—Net proceeds, together with $3,500,000 to be received from Northwestern Mutual Life Insurance Co. from issue and sale of $3,500,000 face amount of general mortgage serial bonds of Utah, due serially 1949-1953; $3,500,000 to be received from issue and sale to certain banks of $3,500,000 face amount of serial notes, and such amount, if any, of general funds of the company, will be used for the following purposes:

To pay principal and interest to maturity, as the case may be, on Utah company's 30-year first mortgage 5% gold bonds due 1944, of which $28,119,000 face amount were outstanding at March 31, 1943.

To pay Utah Company's first lien and general mortgage gold bonds, Series of "4½s of 1944", of which $4,068,000 face amount were outstanding at March 31, 1943.

To pay Utah Light & Traction Co.'s 30-year first and refunding mortgage gold bonds, Series A, 5%, of which $11,813,000 face amount were outstanding at March 31, 1943, these bonds having been guaranteed as to principal and interest by the Utah Company.

Registration Statement No. 2-5173. Form A-2. (6-30-43).

Issue Approved—The SEC on July 27, 1943 granted company permission to offer for sale by competitive bidding $45,000,000 1st mtge. bonds, series C. Interest is not to exceed 3¼%.

On Nov. 10, company filed an amendment to its registration statement in which it changed the proposed issue and sale of securities to cover $42,000,000 first mortgage 25-year bonds to be dated Dec. 1, 1943. The bonds are to be sold at competitive bidding under Rule U-50 of the Commission to yield the company at least $41,500,000. The interest rate will be named by the successful bidder. The proceeds will be used for refunding, with any balance necessary being supplied from current treasury funds.

Registration statement effective 5.30 p.m., EWT, on Nov. 29, 1943.

Bonds Awarded—The issue was awarded on Dec. 8 on a bid of 99.17.

Offered—The First Boston Corp. and associates offered the bonds Dec. 10 at 100.625 and int.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

SATURDAY, DEC. 18

STOKELY BROTHERS & CO., INC.

Stokely Brothers & Co., Inc., has filed a registration statement for $4,000,000 15-year 3½% sinking fund debentures, due Dec. 1, 1958.

Address—941 North Meridian Street, Indianapolis, Ind.

Business—Engaged principally in the purchase, processing, packing and dehydrating and sale of an extensive line of vegetables and fruits.

Underwriting—Blvth & Co., Inc., and Reynolds & Co. are named principal underwriters. Others will be named by amendment.

Offering Price to the public will be supplied by amendment.

Proceeds—Will be used to retire, at 100½% of the face amount, all of the 2¾% promissory notes of the company in the principal amount of $2,000,000; retire 3% promissory notes aggregating $800,000 and to provide additional working capital.

Registration Statement No. 2-5262. Form S-1. (11-29-43.)

MONDAY, DEC. 20

20 CEDAR STREET, INC.

Lucius Teter, John R. Fugard and Frank M. Mackey, trustees, have filed a registration statement for voting trust certificates for 14,519 common shares, par $1, of 20 Cedar Street, Inc.

Address—Of issuer, 135 South La Salle Street, Chicago.

Business—Apartment house.

Underwriting—None named.

Offering—As soon as practicable after registration statement becomes effective.

Purpose—To extend present trust agreement which expires July 19, 1944, for a period of 10 years to July 19, 1954.

Registration Statement No. 2-5263. Form F-1. (12-1-43.)

MAJESTIC RADIO & TELEVISION CORPORATION

Majestic Radio & Television Corporation has filed a registration statement for 70,925 shares of common stock, one cent par value. The shares of stock to be offered are already issued and outstanding

Address—2600 West 50th Street, Chicago.

Business—Production and sale of radio receiving sets. Present production consists of radio and electronic equipment, manufactured for the Army and Navy.

Underwriting—Jenks, Kirkland & Co., Phila., is named underwriter.

Offering—Price to the public is $3.75 a share, and net proceeds to the selling stockholders $3.125 per share. Names of selling stockholders and amounts to be sold by them are: Edward F. Barile, 500; Mrs. Cora Casagrande, 5,000; Dudley E. Foster, 1,000; Mrs. Margaret Foster, 980; Mrs. Florence Freese, 1,000; Joseph J. Neri, 500; Mrs. Marie L. Tracey, 56,945, and Mrs. Janet M. Van Meter, 5,000.

Proceeds—All will be received by the selling stockholders.

Registration Statement No. 2-5264. Form S-1. (12-1-43.)

TUESDAY, DEC. 21

GRAHAM-NEWMAN CORPORATION

Graham-Newman Corporation has filed a registration statement for 8,040 shares of capital stock, minimum stated value of $50 per share.

Address—52 Wall Street, New York.

Business—Investment company.

Underwriting—Graham-Newman Corporation is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5265. Form S-5. (12-2-43.)

SUNDAY, DEC. 26

TIMES-PICAYUNE PUBLISHING CO.

Eleven trustees have filed a registration statement with the Commission for voting trust certificates for 28,000 shares of the capital stock of the Times-Picayune Publishing Co., par value $100 per share.

Address—Of corporation, 615 North Street, New Orleans, La.

Business—Newspaper publisher.

Underwriting—None named.

Offering—Date of proposed offering of voting trust certificates is Dec. 27, 1943.

Purpose—To establish a voting trust agreement to be dated Dec. 27, 1943, and run to Dec. 26, 1953, with the right to extend agreement for an additional 10 years by a majority vote of the total number of shares deposited under the voting trust agreement.

Registration Statement No. 2-5266. Form F-1. (12-7-43.)

MONDAY, DEC. 27

STANDARD OIL CO. OF OHIO

Standard Oil Co. of Ohio has filed a registration statement for 101,389 shares of cumulative convertible preferred stock, $100 par value, and an indeterminate number of shares of common stock, par $25 per share. The dividend rate on the preferred stock will be supplied by amendment. The shares of common stock are to meet the conversion privilege of the preferred stock and will not be offered separately. The conversion rates will be filed by amendment.

Address—Midland Building, Cleveland, Ohio.

Business—Direct activities are principally the refining and marketing of crude petroleum and products derived therefrom.

Underwriting—F. S. Moseley & Co., Boston, is named principal underwriter. Others will be named by amendment.

Offering—Rights to purchase the new preferred stock will be issued to common stockholders of a record date to be named later at the rate of one share of preferred for each 8 shares of common stock, at a price to be fixed by amendment. The unsubscribed stock will be purchased by the underwriters and offered to the public at a price to be filed by amendment. Stockholders of the company are to meet on Dec. 22, 1943, to approve the new issue of $10,138,900 of cumulative convertible preferred stock and 488,888 additional shares of common stock, a portion of which are to be reserved for conversion of the preferred. Any shares not so reserved would be available for issuance for oil producing properties and for other corporate purposes.

Proceeds—Net proceeds from sale of the cumulative convertible preferred stock will be added to the general funds of the company to be available for working capital, capital expenditures and general corporate purposes,

Registration Statement No. 2-5267. Form A-2. (12-8-43)

TUESDAY, DEC. 28

UNITED AIR LINES, INC.

United Air Lines, Inc., filed a registration statement for 105,032 shares of 4½% cumulative preferred stock, $100 par value —convertible prior to 1954.

Address—5959 South Cicero Avenue, Chicago.

Business—Air transport system.

Underwriting—Harriman Ripley & Co., Inc. is named principal underwriter. Others will be named by amendment.

Offering—The 105,032 shares of 4½% preferred are being offered by the corporation to the holders of its common stock, for subscription at $100 a share, pro rata, at the rate of seven shares of preferred for each 100 shares of common held of record at the close of business Dec. 29, 1943. The subscription warrants will expire at 3 p.m. on Jan. 10, 1944. Underwriters will purchase unsubscribed shares and offer them to public at price to be named by amendment. Stockholders on Dec. 22, 1943, are to vote on amendments to authorize 200,000 shares of cumulative preferred stock, $100 par, issuable in series, and 100,000 shares of management stock, $10 par value. Also to authorize shares of capital stock of the corporation to be changed into shares of common stock, $10 par value, and that authorized number thereof be increased to 2,500,000 shares—against present authorized issue of 2,000,000 shares of capital stock, $5 par—and 2,817 shares of authorized but unissued common continue to be reserved for sale to officers and employes.

Proceeds—To be used for general corporate purposes.

Registration Statement No. 2-5269. Form S-1. (12-9-43).

WEDNESDAY, DEC. 29

ASSOCIATED FUND, INC.

Associated Fund, Inc., has filed a registration statement for 5,000 full paid certificate units of $100 each; 1,000 installment payment certificates of $100 each, with insurance, and 4,000 installment payment certificate units of $100, without insurance.

Address—506 Olive Street, St. Louis, Mo.

Business—Investment trust.

Underwriting—Associated Fund, Inc., is named sponsor.

Offering—Date of proposed offering Dec. 7, 1943. Offering price 100.

Proceeds—For investment.

Registration Statement No. 2-5270. Form C-1. (12-10-43).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

DERBY GAS & ELECTRIC CORP.

Derby Gas & Electric Corp., a subsidiary of Ogden Corp., registered 91,577 shares of its common stock without par value with the SEC. This stock is already issued and outstanding, and the shares are not being offered by or for the account of the company. They are to be sold by Ogden Corp., as part of its plan to dispose of its public utility investments in accordance with the Public Utility Holding Company Act of 1935.

Address — One Exchange Place, Jersey City, N. J.

Business — The company is engaged primarily in the generation, distribution and sale of electric energy and manufactured gas.

Underwriting—Ogden Corp., after the registration becomes effective, will publicly invite sealed proposals for the purchase or underwriting of these shares. The result of the bid opening will be filed by amendment later.

Offering—Terms will be filed by amendment later.

Registration Statement No. 2-5213. Form S-1. (9-15-43).

Amendment filed Nov. 11, 1943, to defer effective date.

BONWIT TELLER, INC.

Bonwit Teller, Inc., has filed a registration statement for 35,565 shares of 5½% cumulative convertible preferred stock, $50 par value, and 108,913 shares of common stock, par $1 per share. The latter includes 88,913 shares of common reserved for issuance upon the conversion of the 5½% cumulative convertible preferred stock registered, at the present rate of conversion, which may vary from time to time in the event of certain contingencies. The shares are issued and outstanding and the offering does not represent new financing by the company.

Address—721 Fifth Avenue, New York City.

Business—Owns and operates one of the outstanding large specialty stores in the United States.

Underwriting—Allen & Co., New York City, is named principal underwriter for both the preferred and common stock.

Offering—The offering price to the public of both the preferred and common stock will be supplied by amendment. The prospectus offers the 35,565 shares of 5½% preferred and 20,000 shares of common stock. The shares are presently issued and outstanding and are being purchased by the underwriters from Atlas Corporation and its subsidiary Rotary Electric Steel Co. Atlas Corporation, directly and indirectly, has been the controlling stockholder of the company since its organization.

Proceeds—Proceeds will go to the selling stockholders.

Registration Statement No. 2-5245. Form A-2. (10-29-43).

Amendment to defer effective date filed Nov. 29, 1943.

CERTAIN-TEED PRODUCTS CORPORATION

Certain-teed Products Corporation has filed a registration statement for $6,737,300 4% cumulative income debentures (subordinated) to be due Oct. 31, 1973; 134,746 shares of common stock, $1 par value, and certificates of deposit for 67,373 shares of 6% cumulative prior preference stock.

Address—120 South LaSalle Street, Chicago, Ill.

Business—Business consists generally of manufacturing and selling asphalt roofing, shingles and related products, wallboard and gypsum products, boxboard and various other products.

Underwriting—Paul H. Davis & Co., Chicago, is named principal underwriter. or dealer manager and company will pay to selected dealers a commission for the deposit of shares of preference stock pursuant to an offer of exchange.

Offering—The company offers to the holders of the outstanding 67,373 shares of its 6% cumulative prior preference stock the right to exchange such shares for the new income debentures and shares of common stock on the basis of $100 principal amount of income debentures and two shares of common stock for each share of 6% cumulative prior preference stock. The registration statement states that the company proposes, under certain conditions, to issue to the holders of the 625,340 shares of common stock presently outstanding common stock purchase warrants entitling the holders in the aggregate to purchase, at a price to be announced later, 208,446 additional shares of common, and to issue and sell such shares of common stock not taken up by the warrant holders. The company also proposes, under certain conditions, to issue and sell $5,500,000 principal amount of new serior debentures and to apply the proceeds of the sale of the new senior debentures, together with other funds, to the redemption of the outstanding debentures. There are $7,100,000 face amount of 20-year 5½% sinking fund gold debentures, Series A, due March 1, 1948, now outstanding. The interest rate of the new senior debentures has not been finally determined, but will not exceed 4½% per annum. The income debentures will be subordinated to the new serior debentures and to other indebtedness of the company. The company reserves the right to revoke the offer of exchange unless within a certain date holders of not less than 57,250 shares of the preference stock accept the offer. The proposal to issue common stock purchase warrants to present common stockholders and the procurement of a commitment for the purchase of any common stock not subscribed for by common stockholders and the issue and sale of the new senior debentures is contingent upon the exchange offer being declared effective by the company.

Proceeds—The proceeds to the company of the income debentures and shares of common stock offered will consist of shares of the preference stock exchanged and all such shares of preference stock will be retired and the capital of the company will be reduced by the sum of $100 for each share retired. For each share of common issued pursuant to offer, the sum of $1 will be deducted from capital surplus account and credited to capital account represented by such share.

Registration Statement No. 2-5241. Form S-1. (10-27-43).

Amendment filed Nov. 26, 1943, to defer effective date.

CENTRAL VERMONT PUBLIC SERVICE CORP.

Central Vermont Public Service Corp. has filed a registration statement for 197,954 share sof common stock, no par value.

Address—121 West St., Rutland, Vt.

Business—Operating public utility.

Underwriting—Shares are to be sold at competitive bidding pursuant to Commission's Rule U-50 and names of underwriters will be supplied by amendment.

Offering—The company will invite bids for the purchase of 195,000 shares of the common stock and offering price to the public will be supplied by post-effective amendment. New England Public Service Co. has agreed to purchase the balance of 2,954 shares of common stock at $16.25 per share.

Proceeds—Sale of the common stock is an integral part of a plan providing that Twin State Gas & Electric Co. will be merged into Central Vermont pursuant to the plan filed with the Commission some time ago. Contemporaneously with the issuance of the common stock registered, the company will issue and sell privately for cash $500,000 in face amount of its first mortgage bonds, Series C. The interest rate and price received will be furnished by amendment. Proceeds from the sale of the common stock and bonds will be used to pay a bank loan of $150,000; to pay cash to holders of 24,550 shares of 7% prior lien stock of Twin State as provided in merger agreement in an amount equal to $110 per share plus unpaid dividends; to acquire $40,000 of 3% debentures due Dec. 1, 1956, and $8,000 of 5% debentures of subsidiaries and to provide for additional working capital.

Registration Statement No. 2-5250. Form A-2. (11-11-43).

Registration statement effective 4.30 p.m., EWT, on Dec. 6, 1943.

Bids Rejected—Proposals for the purchase of 195,000 shares of common stock (no par) were received by the company at Room No. 168 Parker House, Boston, Mass., up to 11 a.m., EWT, Dec. 13. There was only one bid received from a banking group headed by Harriman, Ripley & Co. and The First Boston Corp., which was rejected.

DIVIDEND SHARES, INC.

Dividend Shares, Inc., filed a registration statement for 12,500,000 shares of capital stock, 25 cent par value.

Address—1 Wall Street, New York City.

Business—Investment company.

Underwriting—Supervised by Calvin Bullock.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5259. Form S-5. (11-23-43.)

Amendment filed Dec. 9, 1943, to defer effective date.

EQUIPMENT FINANCE CORPORATION

Equipment Finance Corporation has registered 4,400 shares, 4% non-cumulative Series 1 preferred, par value $100 per share, and 46,000 shares of common stock, par value $10 per share.

[The company's assets and liabilities were acquired by Equipment Finance Corp. of Del. and name changed on Aug. 15, 1943, to Equipment Leases, Inc.]

Address—Chicago, Ill.

Business—Principal business of the company in its relation with the Curtiss Candy Co., parent company, consists in the leasing of trucks to Curtiss Candy Co. The company also leases its horses and wagons to Curtiss used in connection with the distribution and sale of Curtiss Candy Company's products.

Underwriting—No underwriters named.

Offering—The offering price of the preferred stock is $100 per share and of the common stock $10 per share. The company anticipates that all of the preferred stock and common stock offered in the prospectus will be sold to employes and officers of the company, and employes and officers of the Curtiss Candy Co. and its subsidiaries.

Proceeds—The company proposes to use the net proceeds from the sales of stock for the purpose of financing the acquisition of factory and warehouse buildings which may be acquired by the Curtiss Candy Co. and its subsidiaries to the extent of $200,000, and the balance will be used to acquire, when available, of approximately 500 trucks to be used in the operation of the Curtiss Candy Company's franchise method of distribution.

Registration Statement No. 2-5233. Form S-1. (10-15-43).

Registration statement effective 3.30 p.m., EWT, on Nov. 29, 1943, as of 5.30 p.m., EWT, on Nov. 25, 1943.

(This list is incomplete this week)

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"Our Reporter On Governments"

By S. F. PORTER

The 2s of 1953/51 have been gaining strength steadily in the last few weeks. . . . At this writing, the bid is 100 6/32 against an offer of 100 8/32. . . . Indicating a close trading situation and generally a more healthy situation. . . . Interest in the market is concentrated in this bond, however. . . . Other loans on the list have been doing little, sliding a bit, rising a bit from day to day. . . . And as predicted here in the last month, chances are the market will continue comparatively lifeless until the January reinvestment demand and the official support preparatory to the fourth war loan enter the picture. . . .

What's significant, though, is that the 2s are "coming into their own." . . . The weak holders have been well cleaned out. . . . The dealers still own plenty of the 2s and will remain large holders until well into the fourth loan, but traders outside the inner circle have been liquidating on a large scale for months. . . . And now the market is in a healthier position than in a long time. . . .

According to one dealer, the 2s are anywhere from ⅛ to ¼ underpriced. . . . Behind the market to such an extent, believes this source, that the loan could sell at 100⅜ with other issues at exactly today's prices. . . .

This house also insists that the only worthwhile major switch in the market today is out of issues selling nearby the 2s and into this one underpriced issue. . . . For an intermediate turn. . . .

Incidentally, on the 28th day after the opening of the books on the 2s of 1955/51, that bond was selling at a premium of 22/32. . . .

Today, three months after the third war loan, the 2s of 1953/51 are selling at a premium of 6/32. . . .

There's a whole story of the market and the sluggish period through which it has been going in those two comparative quotations. . . .

•

DISINTEREST

It's an odd thing about the Government market—and about all securities markets, for that matter. . . . The important participants usually move "as a body." . . . When prices are cheap and action is obviously called for, investors may hold back and refuse to follow advice, regardless of coaxing. . . . When prices are high and conservative liquidation is called for, the same disinterest in action may continue until a certain, psychological moment. . . .

All this is a prelude to the statement that the market has been offering institutions and inviduals with some idle cash excellent opportunities for safe investment and good "carry" since November. . . . And to the statement that investors have been holding back despite the clear profits to be obtained by purchase of securities close to par, returning 2 or 2½% interest and supported by authorities at a "par bottom." . . .

Had an investor bought the 2s a few weeks ago, when the purchase first was suggested for the "carry" advantages in this space, he now would have a comfortable interest return behind him, a profit of a 32nd or two and a good chance for additional appreciation between now and January 15. . . .

The same reasoning applies to the 2½s. . . .

But disinterest has been the keynote of the market for some weeks and best opinion in Wall Street is that this psychology will continue until early January. . . . So there's not much hope for a strong rally. . . . Nor for any big move in either direction until the period just preceding the fourth loan. . . .

If you have some extra cash, consider purchase of the 2s for a short turn. . . . Or if you need tax-exemption, the 2¾s at the admittedly high premium of 11 points will give you your answer on a longer-term basis. . . .

Despite the poor action of the tax-exempts in the market in recent months, this observer still believes the exempts are attractive because of their ever-increasing scarcity value. . . . Their plain use in a period of record-high taxes. . . . The fact that the sellers of exempts are gradually coming to the end of their portfolios. . . . And buyers of exempts may hold the securities indefinitely. . . .

The 2¾s of 1965/60, selling at 111.15 at this writing, have been neglected in recent weeks. . . . They're down 1½ points from their 1943 high. . . .

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INDEX

Page
Bank and Insurance Stocks........2438
Calendar of New Security Flotations.2443
Canadian Securities................2427
Investment Trusts..................2423
Municipal News and Notes...........2439
Our Reporter's Report..............2437
Our Reporter on Governments......2444
Public Utility Securities..........2420
Railroad Securities................2417
Real Estate Securities.............2419
Security Salesman's Corner.........2437
Tomorrow's Markets—Walter Whyte Says 2418

For Dealers . . .

5 stocks with post-war prospects in the Non-Stop Air Pick Up, Home Laundry, Electronics, Die Casting and Television fields.

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Sees Runaway Stock Market Next Year

Ambrose R. Clark of Ambrose R. Clark Co., 71 Broadway, New York, makes the following comments regarding the future trend of the stock market:

"I estimate volume and velocity to money inflation will become evident between March 30 and Sept. 1, next year, with currency in circulation June 30, next, about $45,000,000,000. That will represent about a 60 cent dollar in terms of purchasing power. When these idle and hoarded dollars run to cover we shall see some fireworks on the upside of the markets. The SEC will be powerless for there will be no near offerings of hundreds of security items. The picture is not so good when you stop to examine it carefully. I am afraid the average person will be AN ALSO RAN if he or she does not watch out closely. With bond redemptions increasing, $300 mustering out pay, social security payments, we face so much money in circulation, its value will be in question except at a discount."

Somers & Schafer To Admit

Somers & Schafer, 50 Broadway, New York City, members of the New York Stock Exchange, will admit Helen D. Schafer and Katharine M. Schafer to limited partnership in the firm on Jan. 1, 1944.

Gamewell & Co. To Admit

Gamwell & Co., 40 Wall St., New York City, members of the New York Stock Exchange, will admit Ruth Hoffman to partnership in the firm on January 1st.

A POSSIBLE SWITCH

Sell the 2½% bonds of 3/15/58/56, quoted at 103.9 to yield 1.31% after taxes. . . .

Buy the 2¾% bonds of 9/15/59/56, quoted at 111.8 to yield 1.47% after taxes. . . .

There's no question here on the most attractive bond. . . . By lengthening your maturity one year, you gain 11 basis points in yield, add ¼% to coupon. . . . Your cost goes up slightly, it's admitted, but the offset of higher yield and current coupon may be considered sufficient to overcome that one disadvantage. . . .

Again, speaking of switches, the big one is out of intermediate bonds and into the 2s of 1953/51 or the 2s of 1955/51. . . .

Don't forget, there'll be no more 2s in January or February. . . .

The speculators have been cleaned out considerably. . . .

The banks may not be able to buy enough 2¼s to satisfy their needs in the early months of 1944 and they'll be compelled to turn back to the open market for securities to fill out their portfolios. . . .

The obvious bond for them then, will be the 2s. . . .

INSIDE THE MARKET

One dealer with excellent connections reports the plans of the Treasury for permitting the banks to buy the 2¼s in the fourth war loan drive will give smaller institutions just a few bonds. . . . Not enough to bother about or to stimulate market activity. . . .

He forecasts many small banks will get only 25 or 50 of the 2¼s and "when they get so little on an issue, the tendency is to put the bonds away and forget them." . . .

This, he believes, will interfere with the trading possibilities of the new 2¼s and will keep the issue from enjoying the wide popularity it undoubtedly will have later. . . .

Another report around is that insurance companies will buy a large percentage of the 2¼s and will stay away from the 2½s as much as possible. . . . Angle here is that these institutions have too many 2½s, want to vary their portfolios a bit. . . . Will, therefore, sacrifice the difference in coupon in order to get a shorter maturity and a different type of bond. . . .

Feeling generally is that Secretary Morgenthau made a mistake in offering another 2½% bond. . . . Market has had plenty of these, doesn't need any additional loans with this maturity and rate. . . . This should be the last 2½% bond for some time, if Morgenthau follows the advice of experts. . . .

Much gossip in Wall Street concerning the speech that Undersecretary of the Treasury Daniel W. Bell is scheduled to make in Worcester, Massachusetts, tonight. . . . Bell rarely talks unless he has something specific to contribute to Government financing circles and to knowledge about the Treasury's program. . . . Report is Bell will emphasize long-term trend of easy money rates and will give some hint on market policy in post-war era. . . .

Peace talk still affecting all markets but is less of a factor than a fortnight ago. . . . Dealers believe worry about changing money rate structure upon peace has been overdone, insist market control will continue as strong in years following war as now. . . .

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BUY WAR BONDS

New Officers Of Nat'l Ass'n Of Mfrs.

At the second war congress of American industry, held under the auspices of the National Association of Manufacturers in New York at the Hotel Waldorf-Astoria, Dec. 8, 9 and 10, Robert M. Gaylord, President of the Ingersoll Milling Machine Co., Rockford, Ill., was elected President of the National Association of Manufacturers to succeed Frederick C. Crawford, President of Thompson Products, Inc., of Cleveland, O. Mr. Gaylord will take office on Jan. 1, 1944. Mr. Crawford, at that time, will become Chairman of the NAM Board of Directors, succeeding William P. Witherow, President of Blaw Knox Company, Pittsburgh, Pa., who becomes Chairman of the Executive Committee.

Good Post-War Outlook

Common stock of Buckeye Incubator Company is an interesting stock with good post-war outlook, according to a study of the situation issued by Taussig, Day & Company, Inc., 506 Olive St., St. Louis, Mo., members of the St. Louis Stock Exchange. Copies of this interesting circular may be had from the firm upon request.

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The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 158 Number 4238 New York, N. Y., Thursday, December 16, 1943 Price 60 Cents a Copy

The Financial Situation

The unmatched production record of American industry is now beginning to bear rich fruit not only on the battlefields of this war, but in other, and doubtless by many, unexpected quarters. The testimony of Stalin to the essential part the productive genius of this country has played and is playing in the successful conduct of the war was hardly more than a simple statement of the obvious, but it added a dramatic touch to a recognition which has for a good while past been making itself more and more evident throughout the length and breadth of this land. It is that record and that recognition which are driving the New Deal dreamers more and more to cover as the days pass, and instilling into the veins of business a renewed confidence in itself and in the ability of the American people to choose wisely on the whole between the glib talker who promises all things and the much less articulate business man who gets things done.

A Welcome Change

All this, it seems to us, is being reflected on many sides at this time, and has been for some time past. Not nearly so many—even among business men themselves—are now telling industry and trade what it must do to be saved. We hear much less often about what will happen to "business" unless it does this, that or the other. There are still some who continue to talk of "one more chance" for the business man, and who warn of government stepping in to do what business fails to do—if it fails—but we hear much more frequently from those who calmly tell the reformers what government must do if it expects business to function normally and vigorously—and in far greater degree we find the politicians taking heed and at least beginning to act accordingly.

(Continued on page 2449)

From Washington Ahead Of The News

By CARLISLE BARGERON

A leading magazine is coming up soon with a story on the dirtiness of political campaigns in the past, the irresponsible charges that are made, the scurrilous literature, the whispering campaigns, such as, for example, the one against Al Smith that he and the Pope were in cahoots and the one against Harding that he had Negro blood in his veins, both of which whispers became so audible as to receive formal treatment by the candidates against whom they were aimed, or their managers. Also, in that campaign of 1928 was one that Hoover, when he had gone previously down to Mississippi to deal with the flood, had danced with a Mrs. Booze, Negro Republican National Committeewoman. This one confounded the Hoover managers who worried whether an indignant denial would not endanger the Negro vote in the States where the Negro vote counted. Mrs. Booze finally settled their dilemma by issuing a statement that the story was wholly untrue because she was a Baptist and did not dance.

The purpose of the magazine is to urge a clean campaign this time. It is supporting Willkie, but whether this is responsible for its concern or not, its appeal will undoubtedly fall on deaf ears.

There is going to be plenty of heat and plenty of dirt in the next campaign. That is as apparent as the nose on the face.

We have only to look at the tactics of the latest New Deal vehicle, the CIO Political Action Committee, headed by Sidney Hillman, who is the dictator of the organized garment workers in every sense of the word. This committee has begun operating from quarters formerly occupied, ironically enough, by the Republican National Committee. Indeed, it is this committee's only opposition at present, as the Democratic National Committee appears to be doing nothing at all. The much advertised Charlie Michaelson is reading the proofs on his book which should be a good one, and this seemingly constitutes the committee's main activity.

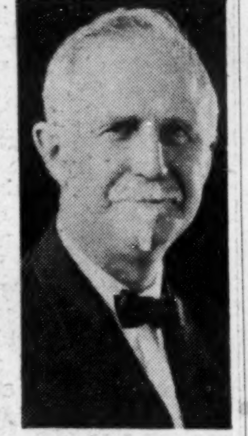
The CIO Political Action Committee, however, is pursuing an offensive game of harassing Congressmen by appearing constantly in their offices in droves. They simply go in to harangue and browbeat the Congressmen. A little trick they have in the subsidy fight also is to have the opposing members deluged with pig bones sent through the mails.

The agitation they are working up against the Senate's action on the so-called soldiers' vote bill makes you wonder just what they are after, and certainly dampens the spirits of those who want a clean campaign. The plain facts are that the Senate Republicans, by and large, were greatly concerned about this bill and rightly

(Continued on page 2460)

Roger Babson On Subsidies

So many inquiries come to me asking for an explanation of "subsidies" that I am in Washington getting the story. Frankly, there are two sides to the problem and I am convinced that the leaders on both sides are honest. If you believe in "paying-as-you-go" and letting nature take its course, then you will oppose subsidies; but if you believe in borrowing and postponing the day of settlement, then you will favor subsidies. To be specific, the farmers are opposing subsidies; but labor is urging subsidies.



Roger W. Babson

What Are Subsidies?

A subsidy bears the same relation to prices as a dam bears to an unruly stream of water. A dam does not destroy the water; but the flow can be regulated by a dam. Dams are, therefore, useful in flood control; but if too much water is dammed up, it either flows over the dam or else breaks the dam. In the long run, you cannot fool or have a substitute for the Law of Demand and Supply. Therefore, subsidies are useful to regulate prices; but only for a short time. Subsidies are no good to prevent price rises which are due to a *permanent* increased demand on shortage of supply.

If the producers of wheat are not making enough money, they

(Continued on page 2452)

GENERAL CONTENTS

Special Articles in Section 1

Post-War Foreign Exchange Stabilization Further Considered: Benjamin M. Anderson.
Railroads Have a Great Future.

Editorial

Page
Financial Situation 2445

Regular Features

From Washington Ahead of the News 2445
Moody's Bond Prices and Yields 2454
Moody's Common Stock Yields 2454
Items About Banks and Trust Cos. 2460
NYSE Odd-Lot Trading 2458
Trading on NYSE 2454
NYSE Bond, Share Values at Nov. 30 .... 2455, 2456
Changes in Holdings of Reacquired Stock (Nov. 16) 2455

State of Trade

General Review 2446
Commodity Prices, Domestic Index 2457
Weekly Carloadings 2459
Weekly Engineering Construction 2457
Paperboard Industry Statistics 2459
Weekly Lumber Movement 2459
Fertilizer Association Price Index 2457
Weekly Coal and Coke Output 2458
Weekly Steel Review 2453
Moody's Daily Commodity Index 2454
Weekly Crude Oil Production 2458
Non-Ferrous Metals Market 2457
Weekly Electric Output 2453
Cotton Ginnings Prior to Dec. 1 2455
Fertilizer Association Price Index 2457
Selected Income, Balance Sheet Items Class 1 Railroads (Sept.) 2456
English Gold and Silver Markets 2456

Wilbert Ward Discusses World Bank

On Control Stabilization, Regards It Impossible For Number Of Nations To Arrive At Any Rates Which Will Stand Test Of Time

Wilbert Ward, Vice-President of the National City Bank of New York, in addressing a meeting of the Foreign Credit Interchange Bureau of the National Association of Credit World Bank Men at the Pennsylvania Hotel on Dec. 1, called the Treasury proposal recently outlined by Secretary Henry Morgenthau "defective in that it fails to recognize the primary function of a banking institution." Mr. Ward indicated that he considered the proposals "admirable" in general, but considers the linking of a "world bank" with rehabilitation as undesirable.

Wilbert Ward

Mr. Ward's comments with respect to the proposed "world bank" as well as his remarks about Stabilization follow:

I talked to you a couple of months ago on the subject of "Stabilization." I don't intend to talk about it again, except that I do want to say this: I should say that there seemed to be, generally speaking, a recognition of the fact that stabilization is desirable, and that the only difference of opinion that has developed is in regard to the method by which it is to be achieved, and I want to add to that may own feeling; that if the mechanism is simple and if it is set up on a basis which would assure stable operation not too much influenced by the current political situation in the countries involved, my own inclination would be toward the creation of some sort of formal mechanism to do it.

You will recall that Dr. White's plan envisaged that every country that joins the plan will automatically state the currency of its own country in terms of the dollar or the "Unitas"—I have forgotten which; but, anyhow, the initial state in his plan is set by the country itself.

Now, of course, one of the objections that has been raised to an over-all settling of all exchanges at once, is that it is difficult to do; but by that mechanism it is not difficult to start.

The real question comes as to whether starting on that basis you have anything that will stand.

That, to my mind, is an argument in favor of some sort of instrumentality to control the business of stabilization because, as I see it, it is going to be impossible for 40 or maybe somewhat fewer nations to arrive by any such

(Continued on page 2450)

Federalization Of Unemployment Insurance Step Toward Totalitarianism, Says Linton

Warns Replacement Of State-Federal System As Dangerously Undermining Democratic Institutions

The proper procedure in unemployment insurance lies in improving the present State-Federal program—not in Federalization—M. Albert Linton, President of the Provident Mutual Life Insurance Co., Philadelphia, told the 37th annual meeting of the Association of Life Insurance Presidents in New York City on Dec. 2. Asserting that the existing system allows for experimentation and variations required to meet varying local needs. Mr. Linton said that while it will take time to reach the ultimate goal on a State basis, "it will be accomplished in a sounder manner and avoid the peril of totalitarianism involved in a wholly Federal system."

M. A. Linton

Proposals before Congress to replace the State-Federal system with a Federal system may appear superficially to be advantageous, but "the program would dangerously undermine our democratic institutions by placing enormous power over the individual in the hands of a vast, country-wide machine operated and controlled by Washington," Mr. Linton declared.

"Furthermore," he added, "the proposals would give that machine still more power by adding to the system of unemployment benefits a system of temporary disability benefits available to those unable to work on account of illness or accident." "This Federalization proposal takes us to the center of the States rights' battle now being waged on several fronts," Mr. Linton said.

Describing dangerous he believes inherent in Federalization, the speaker said:

"Consider for a moment the enormous discretionary power a plan of this kind would put into the hands of the thousands of Federal officeholders from Maine to California who would be deciding whether individual citizens should receive benefits from rich Uncle Sam because they claimed they could not find work or were physically not able to work. And these benefits would not be small.

(Continued on page 2451)

Simple, Plain Truths

"Freedom is the very basis of the American way of living, of working, of doing business. And doing business in the American way means free, private, competitive enterprise, by whatever name it is called.

"Enterprise that is 'free' calls for the highest degree of personal freedom attainable under just laws impartially enforced. With each individual free to save and invest in his own shop or farm or in a company owned by many shareholders. And no arbitrary control by government.

"Enterprise that is 'private' calls for the preservation of property rights, the priceless heritage of American citizens. This means private ownership—not government ownership. The American system is individualist—not collectivist.

"Enterprise that is 'competitive' calls for a 'fair field and no favors.' There must be no special privileges—for management, for labor or for capital. It is competition that brings better values, higher quality and lower prices.

"Free, private, competitive enterprise is American enterprise. It is the way of doing business that brought the world's highest standards of living to America.

"And when peace comes, American enterprise can do it again.

"But American industry knows, and has a duty to tell the American people, that it will be impossible to have a post-war opportunity and jobs unless problems of the transition period—reconversion from war to peace—are solved wisely.

"Employment in industry will be speeded up if wartime controls are ended as soon as practicable after hostilities cease, if wartime taxes are then reduced, and if the Government pays its debts promptly when it cancels contracts. Employment will also be increased if Government makes clear that it will not operate plants in competition with private industry and that surplus war goods will not be dumped on the market.

"If these and reconversion problems are solved promptly, then American industry can move forward with confidence."—National Association of Manufacturers.

Little wonder that these ringing words have made such an impression throughout the land.

The State Of Trade

Reports from the heavy industries last week were generally favorable, with most quarters showing sizable gains over last year. This was especially so with electric power production, which again rose to an all-time high, with local distribution rising 36.5% above last year's figure. Glowing reports continue to come from the retail trade, where holiday buying is brisk and sales up 12 to 16% above last year.

Carloadings of revenue freight for the week ended Dec. 4, totaled 862,759 cars according to the Association of American Railroads. This was an increase of 42,677 cars over the preceding week this year, 103,028 cars more than in the corresponding week in 1942, and 29,384 cars above the same period two years ago. This total was 128.29% of average loadings for the corresponding week of the 10 preceding years.

Production of electricity rose to an all-time high of 4,560,158,000 kilowatt hours in the week ended Dec. 4, from 4,403,342,000 in the preceding holiday week. The old record was 4,513,299,000, reached in the week of Nov. 20. The latest total was 17.4% above the year-ago generation of 3,883,534,000 kilowatt hours. Consolidated Edison Co. of New York reports system output of 222,100,000 kilowatt hours in the week ended Dec. 5, an increase of 36.2% over the 163,100,000 reported a year ago. Local distribution rose 36.5% to 218,000,000 kilowatt hours from 159,700,000 in the 1942 week.

Steel production is scheduled this week at 99.3% of capacity, indicating output of 1,730,700 net tons, unchanged from last week, the American Iron & Steel Institute reported. A month ago operations were at 97.8 and output 1,704,600 tons, reflecting coal-strike effects. For the comparable week in November, 1942, production was 1,683,300 tons.

"Despite stiffening demand in some products, the over-all trend in steel buying continues to ease slightly," the magazine "Steel" says. "Current orders are less and ingot production shows signs of tapering over the next few weeks.

"For the longer view the War Production Board predicts that war requirements in 1944 will exceed even those of this year, with special emphasis on ships, trucks, airplanes and oil refinery equipment, as well as auxiliary types of ordnance.

"Curtailment in light arms and ammunition, lend-lease program, tanks and machine tools have contributed to a leveling off in demand, leading to cancellations and creation of excess stocks at various plants. As a result the disposition of steel buyers at the moment is to continue to trim inventories and to buy no further ahead than absolutely necessary.

"Washington has made definite efforts to stem the belief that the European war is near its close. At the same time war production emphasis is tending in the direction of Pacific war needs. Heavy pressure is noted for landing barges, which call for plates, heavy sheets and structural shapes, the latter market being greatly stimulated. Plates have not been affected by the general easing."

As to retail trade, holiday buying continued brisk last week, according to the weekly trade review issued by Dun & Bradstreet, Inc.

The review estimated that retail sales volume for the country gained 12 to 16% over that of last year. Regional percentage gains were: New England, 8 to 12%; East, 10 to 14; Middle West, 11 to 15; Northwest, 9 to 12; South, 14 to 18; Southwest, 25 to 28 and Pacific Coast, 16 to 19.

Favorable weather and increased night openings helped expand gift buying, according to the review. Stores benefiting by holiday buying made the best showing, although nearly all kinds of merchandise were in favorable demand, with cash sales predominant. Department store sales on a country-wide basis were up 7% for the week ended Dec. 4, compared with the corresponding week a year ago, according to the Federal Reserve Ssystem. Sales for the four-week period ended Dec. 4, were up 13% compared with the like period last year.

Department store sales in New York City in the week ended Dec. 11, were 8% smaller than in the corresponding week of last year, according to a preliminary estimate issued by the New York Federal Reserve Bank. The bank reported that the decline was accounted for in large measure by the fact that fewer stores remained open evenings this year compared with last year. In the previous week ended Dec. 4, sales of this group of stores were 6% higher than in the like 1942 week.

World Rayon Up 56% Since War Began

Production of rayon yarn throughout the world totaled 3,472,900,000 pounds in 1942, according to figures compiled by the "Rayon Organon," published by the Textile Economics Bureau, Inc., New York. This total represents a gain of 56% as compared with the output of 2,227,500,000 pounds produced in 1939.

The Bureau further reported on Dec. 8:

"Germany was the largest producer of rayon last year, with a total of 1,100,000,000, or 32% of the world's total and accounting for 480,000,000 pounds of the world's gain since 1939. Japan ranked second with a total output of 700,000,000 pounds in 1942, and the United States was a close third with an output of 632,600,000 pounds These three countries alone accounted for 70% of the total world production, over half of which is Axis produced.

"Of the 1942 world total production 1,447,200,000 pounds was filament yarn and 2,025,700,000 pounds was staple fiber. The filament yarn output was up 26% from the 1,145,400,000 pounds produced in 1939. Half of the 301,800,000 pound increase was reported by the United States, which showed a gain of 150,700,000 pounds. The remaining gains were well scattered except in England, where, due to war dislocations, an estimated decline is reported.

"Rayon staple fiber production increased 87% from 1,082,100,000 pounds in 1939 to 2,025,700,000 pounds in 1942. Gains were reported primarily in Germany, Italy, France and the United States, although as in the case of filament yarn, all countries excepting Great Britain shared in the increase.

"The United States produces more filament yarn than any other country, manufacturing 29% of the world's total in 1939 and 33% in 1942. Filament rayon yarn manufacturing countries ranked according to their volume importance for both 1939 and 1942 as follows: United States, Japan, Germany, Italy and Great Britain."

National Savings And Loan League Formed; To Forward Better Relations With Govt. Bureaus

Announcement has been made of the formation of the National Savings and Loan League, a new association of savings and loan organizations, to improve relations with Government agencies.

Officers of the new League are S. H. Bever, head of the Equitable Building and Loan Association of Fort Worth, Texas, President; Arthur G. Erdmann, President of Bell Savings and Loan Association, of Chicago, First Vice-President, George M. Eason, President of Standard Federal Savings and Loan Association of Los Angeles, Second Vice-President, and Herbert P. Taylor, Jr., of Boston, Secretary-Treasurer.

On June 21 a meeting of savings and loan executives, members of the United States Savings and Loan League, was held at St. Louis to discuss and recommend changes in the administration of that League. This conference was attended by savings and loan executives from eighteen states and its final recommendations were approved by more than 600 state and federal associations, having assets exceeding $500,000,000. The non-acceptance of these recommendations led to discussion of the need for a new league, and this was formed at the end of the United States Savings and Loan League War Conference held in Chicago Nov. 29 to Dec. 1.

The purposes of the new league as stated by Mr. Bever are:

"The progress of the savings and loan associations demands better relations with the various governmental agencies, particularly the National Housing Administration. The best indication of this is that little or no important legislation favorably affecting the associations has been passed in the last seven years. The dissenting members of the old League feel that anatgonism exists between it and the governmental agencies with which the associations themselves desire to work in harmony. Discussions during the Chicago War Conference led to the same conclusion—associations must have better representation in Washington and must cooperate with the instrumentalities of the Government. We want the associations to benefit by the respect of Congress, regardless of which political party is in power, so that they may receive the full cooperation of all agencies of the Federal Government, especially the National Housing Agency, the Federal Home Loan Bank Administration, and also trade organizations such as the American Bankers Association, and others.

"It was also felt," Mr. Bever said, "that the managerial activities of the League could be improved—that there is a centralization of power which should be eliminated by giving representation to every section of the country. More democratic methods of electing officers and directors will permit free choice by the entire membership and eliminate the control of policy by one small group.

"There is also a strong movement among the associations for more modern public relations, which would include the dissemination of information about their services through newspaper advertising, locally by individual associations, and, on a national scale by the new league. The associations were pioneers in thrift for home ownership and need to create public understanding of their unique place in the national economy through the power of the press.

"Every effort was made by the dissenting members of the old League to keep it intact by bringing about reforms from within, but negotiations at the War Conference demonstrated that this was impossible. The new National Savings and Loan League was then formed with the expectation that it will benefit every association in America," Mr. Bever said.

John F. Scott, Minnesota Federal Savings and Loan Association of St. Paul, Minn., newly elected President of the United States Savings and Loan League, declared regarding the announcement of the formation of National Savings and Loan League:

"There are some executives of savings and loan institutions affiliated with the United States Savings and Loan League who seemingly differ with the established policy of our fifty-one year old national organization on such matters as Federal public housing, the termination of the activities of the Home Owners Loan Corporation, and the National Housing Agency. The policy of the United States League, determined by its members year after year, has been to oppose Federal public housing and to hasten the liquidation of the emergency Home Owners Loan Corporation. Separation of the savings and loan instrumentalities, the Federal Home Loan Bank system and the Federal Savings and Loan Insurance Corporation, from the National Housing Agency in Washington, and their re-establishment as a self-sustaining agency of Government, are sought in a resolution passed unanimously by the thousand delegates at the war conference and fifty-first annual meeting of the League in Chicago, Nov. 29 to Dec. 1.

"This announced secession of a group from our League will in no way alter the established policies of the United States Savings and Loan League. We have a very high regard for these individuals as executives of efficiently conducted savings and loan associations, and they naturally are eligible to continue as members of this half-century old national savings and home financing organization."

The membership of the United States Savings and Loan League consisted on Dec. 1, 1943, of 3,700 local savings and loan associations and cooperative banks with assets of some $5,500,000,000. The organization includes also 48 states and territorial leagues of these institutions.

Steel Mills Spent $465 Million For Plant Upkeep In 1942

A total of nearly $465,000,000 was spent by the steel industry in 1942 for repairs and maintenance in order to keep its war effort at maximum efficiency, according to the American Iron and Steel Institute. This represents an increase of more than 10% over the $420,000,000 expended for similar upkeep in 1941. The Institute's statement adds:

"The rise in expenditure for plant upkeep in 1942 reflects the continuing high operations rate of the steel industry for that year. Steel operations in 1942 remained at 97% of capacity, approximately the same level as in 1941.

"Wages represented the largest single item in the expenditures for repairs and maintenance. Other important items of expense were cost of supplies, freight charges on supplies purchased, and cost of repair materials.

"Plant maintenance costs in 1942 averaged about $7.45 for each ton of finished steel produced. This is an increase of well over a dollar a ton as compared with 1940, and 65 cents more than the maintenance expenditures per ton in 1941."

Says U. S. Faces Need Of Revival Of Faith In Free Private Enterprise As Bulwark Of Society

Life insurance executives were urged on Dec. 2 to unite behind a program of analysis and research to meet new conditions confronting their business. Speaking at the 37th annual meeting of the Association of Life Insurance Presidents, in session in New York, Gerard S. Nollen, President of the Bankers Life Company, Des Moines, declared that changed social, economic and political relationships have brought new responsibilities to modern business and suggested how they might be met in the life insurance industry.

"We in the United States face no greater need than a revival of faith in free, private enterprise as the bulwark of a free and prosperous society motivated by a spirit of energetic, courageous self-reliance," Mr. Nollen asserted.

Taking cognizance of the fact that "30 years ago, 100 million United States citizens were living a reasonably simple life," Mr. Nollen called attention to the transformation which has taken place "in that short period of 30 years." He noted that "the industrial revolution just in the making was given a powerful impetus by the production demands of World War I." He went on to say that "the subsequent war-inflated prosperity of the Harding-Coolidge era sped us further on the way to our complex, interdependent, modern, gadget existence. Then followed the worst depression in American history. The ravages of that period played havoc with our traditional social, economic, and political relationships. Men even began to question the feasibility of preserving our democratic processes in this rapidly changing mechanized world. Many of our people lost faith in private enterprise as a dependable source of livelihood." He further said

"Out of that bitter experience has grown a well-rooted social philosophy new to America. That philosophy ignores the traditional spirit of courageous self-reliance which built America. On the contrary, it proclaims government as the rightful guarantor of a continuous livelihood for every citizen. It also accepts government in business and government control of private business as sound public policy without restriction."

Citing the dangers of the "new philosophy" Mr. Nollen had the following to say:

"Let me say, parenthetically, that there is far too little public appreciation of the revolutionary significance, and also the inherent dangers, of that new American social philosophy. Most people do not seem to realize that during recent peacetime years we were traveling, step by step and step by step, down the road of paternalistic government.

"No one can rightfully deny that imperfections requiring correction existed in our economic and social structure, and that our modern complex society demands enlarged governmental activities in certain restricted fields of social and economic need. However, the new philosophy has no such limitations. It glorifies the role which government must play in human affairs and relegates private enterprise to a position of subservience.

"We in the United States face no greater need than a revival of faith in free, private enterprise as the bulwark of a free and prosperous society motivated by a spirit of energetic, courageous self-reliance.

"The more private enterprise is arbitrarily controlled by government, the less will be the political and economic freedom of all the people. Men in government possess the same human frailties as men in other walks of life. Extensive, unsupervised, centralized power in the hands of any group of whatever character is bound to lead to abuse. That is the fundamental fallacy of all political schemes which clothe government with extensive powers of business ownership or management control.

"We have maintained a stable and exceptionally prosperous society in our country by providing intelligent and effective checks and balances between the various divisions of our social and political structures. Our elected Federal and state legislators enact the rules under which we shall live. Our elected government officials administer those rules. Our courts settle disputes. Thus government supervises business under established rules, and, when necessity arises, the courts intervene to preserve justice.

"That system of checks and balances is the very foundation of our democracy, which gives every citizen the greatest opportunity to reap the rewards of energetic, courageous self-reliance.

"The only safe course for us to pursue is to preserve those checks and balances without impairment. There is danger in transfering to government any powers of ownership or control not imperatively needed to preserve equity and freedom of opportunity. Every needless government intervention merely helps to 'kill the goose which lays the golden egg' of human welfare."

Closer attention to existing portfolios of life insurance investments, enlarged activities in the sphere of public education, and more searching attention to home office and agency procedures, especially in the underwriting field, were cited by the speaker as illustrations of life insurance activities in which enlarged research is needed.

"We cannot afford to proceed on the theory that the dearth of traditional life insurance investments experienced during recent years will be automatically corrected after peace is restored," Mr. Nollen said. "We must begin now with a searching analysis of the probable course of events, in preparation for the adoption of new procedures if necessity demands.

"The future rate of return on sound investments also demands our attention. One of the primary factors in this problem is the power of government credit control. With our vast Federal debt plus the extensive powers existing in the Federal Reserve System, this factor alone might control interest rates for many years to come."

Extensive credit agencies of the Federal government constitute a problem which it is the responsibility of life insurance to study, Mr. Nollen asserted: "Public interest calls for a transfer of such operations to private enterprise, in so far as private enterprise is able and willing to meet the need," he said.

Enlarged activities in the sphere of public education are needed, in the opinion of Mr. Nollen, to build "a clear understanding in the minds of the public about the functions of life insurance and its value to our democratic economy. We should leave no stone unturned to build this service to its highest possible state of efficiency."

On the subject of attention to home office and agency procedures, he said: "The business of life insurance now stands high in public favor because of its past performance in harmony with public need. But this is a new day. Growing complexity faces us in our underwriting problems. For example, organized business is providing extensive benefit plans for its employees, including disability, death, and old age retirement benefits. This trend is of great value to the preservation of our democratic structure. Private enterprise is thus serving to avoid needless assumption of responsibility by government. Life insurance management plays a vital role in this picture. We must harmonize home office and agency procedures with these modern demands. Our segment of private enterprise must meet its obligation to render complete service free from deficiencies either in scope or quality."

New conditions most significant to life insurance management were outlined by the speaker as follows:

"First. We must recognize that a permanent change has occurred in the traditional relationships between government and private enterprise. In modern life, government must concern itself with business, and accordingly business must concern itself with government. This involves no political implications. Organized business has no place in politics. However, the laws enacted affecting business, and the manner in which those laws are administered, are definitely a concern of business. That is a modern stewardship responsibility of management in harmony with pubic welfare.

"Second. We must recognize that, inevitably and rightfully, men now demand action and results in harmony with their basic economic and social needs. Men know that our national resources are ample to provide everyone a chance to earn a decent livelihood. They are no longer impressed by mere of sentimental appeals about preserving our democracy, or about the sacredness of the 'American way of life' of bygone days. Self-preservation is the first law of human nature.

"Third. We must recognize that, with public approval, Government will endeavor to provide all social and economic needs unfulfilled by private enterprise. Management must search diligently for new procedures which will discharge every obligation of private enterprise to modern life. In so far as private enterprise fails to do the entire job, Government will step in to fill the breach.

"Fourth. We must recognize that public acceptance of the adequacy of private enterprise is measured, not merely by scope of service, but also by perfection of performance. Private enterprise cannot, and should not, expect freedom from Government control unless the quality of its service justifies immunity. Furthermore, Government is now, and will continue to be, a potential competitor ready to step into any field where private enterprise is presumed to be guilty of exploitation. Faith in the adequacy of private enterprise will stand or fall on the publicly-recognized excellence of its performance in the public interest.

"Fifth. We must recognize that intensive public education is essential to the stability of our modern, complex, democratic structure. Public opinion is the power behind the throne of legislative and governmental procedure. Men cannot judge intelligently respecting the complex issues of the day unless placed in possession of the fundamental facts pertinent to the issues. The primary responsibility for public instruction relating to the service and value of private enterprise rests upon the shoulders of modern management which has the facts at its command.

"Sixth. We must recognize that our legislators and Government officials constitute the most vital segment of the public in the matter of informed opinion. They possess great power in molding public thought, as well as being the ones who create and execute the rules of procedure under which both Government and private enterprise shall operate. Those groups are merely cross-sections of the country as a whole. They are composed mainly of dependable people who need and want a clear understanding of the complex problems we face in modern life. With few exceptions, their support of unwise governmental procedure grows out of lack of understanding and not malicious intent. To them, modern management owes the service of factual education in the field of private enterprise.

"Seventh. We must recognize that one of the new vital elements affecting private enterprise is the modern rapid tempo of change in every phase of human existence. No longer can management safely follow the time-honored method characterized by the phrase, 'Wait and see.' Through analysis and research, practice must be harmonized with prospective as well as immediate developments. In the rapid flow of modern events, management must evaluate the probabilities of future indicated changes in terms of their impact upon constructive procedure."

1943 Life Ins. Sales 5% Above 1942 Volume Third Of Companies' Assets Loaned To Gov.

Life insurance purchased from United States legal reserve companies during 1943 will approximate $12,700,000,000 by the end of the year—5% above the 1942 volume—and policies owned by some 68,000,000 Americans will aggregate $139,000,000,000, nearly 7% more than the amount in force at the end of 1942, Col. Franklin D'Olier, President of the Prudential Insurance Co. of America, disclosed on Dec. 2 in opening the 37th annual meeting of the Association of Life Insurance Presidents in New York City.

Speaking on the central theme "Looking Forward with Life Insurance," Col. D'Olier who was Chairman of the meeting, also reported that the companies will have paid or credited to policyholders and beneficiaries during the year an estimated total of $2,400,000,000 by Dec. 31—approximately $1,100,000,000, or 46%, to beneficiaries in death claims, and about $1,300,000,000, or 54%, to living policyholders as matured endowments, annuities, surrender values, dividends, and disability benefits.

Meanwhile, life insurance funds to the extent of about $12,600,000,000, or one-third of the companies' admitted assets—estimated at $37,675,000,000 as of the end of the year—will have been loaned to the Federal government to aid in the prosecution of the war and for other purposes, he pointed out.

The Federal bond holdings of the companies represent an increase during the year of about $3,000,000,000, or the equivalent of 109% of the increase in total assets for the year, Col. D'Olier reported. For 1942 and 1943, he said, the increase in such holdings will be $5,600,000,000—equivalent to 113% of the asset increase. The present portion of assets invested in Federal securities—33%—compares with 21.4% two years ago when the United States entered the war, and 18.2% at the end of 1938, the approximate beginning of the defense program.

As to the balance of the life insurance portfolio, Col. D'Olier said investments in other government bonds, including Canadian, will represent 6% of assets, corporate securities 29%, and real estate mortgages 17%. Only 6% will represent policy loans, and the remaining 9% will represent real estate, collateral loans, cash, and other assets.

Declaring that the goal of the life insurance business is to continue to furnish the best possible life insurance protection at the lowest net cost consistent with safety, the speaker described problems now facing the business. Citing declining interest rates he saw no indication of any improvement, with government bonds at 2½% or lower absorbing as much as one-third of the assets of all the companies, and questioned whether the time has not come to face this fact in the computation of premium rates on new policies.

Pointing to the desirability of conservative management, Col. D'Olier said: "During the past ten years at least, the more conservative a company has been in its policies the better position it is in today to meet present changing conditions. Let us recognize adverse trends today and govern ourselves accordingly, having constantly in mind that over-conservatism can easily, readily and very quickly be remedied, while it is a long hard task to recover from a lack of conservatism."

The public and policyholders realize the decrease in interest rates, but there are still misconceptions with regard to the mortality table which have given rise to incorrect statements that the policyholder has to pay more for his insurance than he would pay if an up-to-date mortality table were used, Col. D'Olier declared. Legislation recommended by the National Association of Insurance Commissioners, providing for the use of modern mortality tables for new business, has now become law in 14 States, he pointed out, and asserted that when this legislation has been generally enacted, this criticism "which was never valid can no longer be made."

The speaker urged the life company executives to take a broad and receptive attitude toward Social Security, declaring that "what is good socially and economically for the country at large should be good socially and economically for life insurance in the long run."

He continued: "One of the reasons why life insurance has become such an important institution in this country is because a very substantial majority of the population have wanted to do better for their own dependents than the country can afford to do for all alike and even though certain new features of Social Security laws may affect our new business temporarily, nevertheless, in the long run this part of the population will want to accomplish still more for their own dependents than can be done through the provisions of any Social Security Plan which may be worked out. So far as legislation is concerned, I have confidence in the sound common-sense of our lawmakers that they will not ultimately adopt any plan unduly burdensome on the economy of the country, and I believe that we with a broad attitude toward this subject can help them substantially in attaining this objective."

In conclusion, Col. D'Olier said: "Fortunately for life insurance, we have not the great problem which war plants are facing after this emergency when they will have to convert back to civilian production. We are fortunate in that we have no such problem. All we need is not to be unduly and unfairly restricted in the work that we have to do, and we will do the job that is to be done."

New N. Y. Rev. Collector

James W. Johnson was sworn in in New York on Dec. 2 as Collector of Internal Revenue for the Third District of New York. Mr. Johnson was formerly Assistant to the Collector, Joseph T. Higgins, who resigned in September to become a candidate for the City Court bench. He was nominated by President Roosevelt on Oct. 25, to succeed Mr. Higgins and the Senate confirmed the appointment on Oct. 27. Mr. Johnson now heads the second largest collection district in the country. The resignation of Mr. Higgins was reported in our issue of Oct. 7, page 1428.

Theis Urges Trust Men Keep Informed On Trends And Their Effects On Property

Trust men must keep themselves informed on trends and their probable effects on property held in trust by them if they are to perform their trust duties intelligently, New Jersey bankers were told on Dec. 3 at their 15th Mid-Year Trust and Banking Conference, at the Federal Reserve Bank in New York City, by Henry A. Theis, President of the Trust Division of the American Bankers Association, and Vice-President of the Guaranty Trust Co. of New York.

Henry A Theis

In discussing current and prospective trust problems, Mr. Theis cited important questions that face trust men in their duty to conserve the millions of dollars worth of property held by trust institutions in private trusts—the effect on such property of success or failure of the efforts to control inflation; of the transition from war to peace and the post-war economic situation; of the kind of treatment given our huge merchant marine, our large aviation industry, our enormous industrial plant; our treatment of the question of currency for international trade; our creditor position in relation to exports and imports, and our foreign and domestic commercial and financial problems. Mr. Theis said:

"There are approximately 2,800 banking institutions engaged in the trust business in this country. During the entire history of the existence of trust institutions the entire loss to beneficiaries, through misconduct or malfeasance of any trust institution is singularly small. On the other hand, the record of the integrity and the honesty of corporate administration is one of which every trust institution in the country has a right to be justly proud.

"These records have been made over a period of time when economic conditions in the country have been good and when they have been bad; when the country has been at peace and when it has been at war. I have no reason to believe that trust men will not keep the faith in the troublesome times that lie ahead. Problems have been faced and met in the past, and those that lie ahead will be met with equal courage and fidelity."

Mr. Theis spoke also of the increasing burden of fiduciary tax work, which is absorbing an increasingly large share of trust institutions' income as tax laws become steadily more complicated. "It is encouraging to note that Congress is addressing itself to efforts at simplification," he stated. "Trust men have been invited to contribute ideas leading toward simplification, and it is hoped that we can make some constructive suggestions."

League Of Nations Group Urges Nations To Form Joint Policies For International Trade

The League of Nations Economic and Financial Committees, meeting at Princeton, N. J., on Dec. 6 and 7, emphasized as of cardinal importance "that governments should formulate, as rapidly as possible, joint policies . . . for the immediate post-war period to establish an international system of maximum trade, with rising living standards and the fullest employment of economic resources in all countries, unhampered by unduly high tariffs, exchange controls, and quantitative trade restrictions." They urged that, in the immediate post-war period, while Government controls are still in force, vested interests in the maintenance of these controls should not be allowed to develop and that governments should refrain from increasing their tariffs as the counterpart to relaxing trade controls. The advices Dec. 9 from the League further said:

"After the last world war and during the greater part of the interwar period, these League Committees were mainly engaged in preparing for intergovernmental action in matters of trade and financial reconstruction policy and in promoting aims similar to those which the United Nations are now pledged to pursue. They decided to prepare for consideration at their next meeting a full report drawing the lessons from their past experience regarding trade policy and, at a later meeting, a parallel report dealing with financial questions.

"United States members attending the meeting were Henry F. Grady, former Assistant Secretary of State and President of the American President Lines, who has just been charged with important functions on the Economic Commission in Italy; and Mitchell B. Carroll of New York (representing the League's Fiscal Committee). Sir Frederick Leith-Ross, Chief Economic Adviser to the British Government and Chairman of the Inter-Allied Post-War Requirements Committee, attended as principal British member, while W. C. Clark, Deputy Minister of Finance, and Fraser Elliott, Deputy Minister of Internal Revenue, attended from Canada.

Among the others present were: Herve Alphand (France), Director of Economic Affairs, Commissariat for Foreign Affairs; R. M. Campbell (New Zealand), Official Secretary, New Zealand High Commission, London; Josias Carneiro Leao (Brazil), First Secretary, Brazilian Embassy, Washington, D. C.; W. Domaniewski (Poland), Commercial Counselor, Polish Embassy, Washington, D. C.; Constantin Fotitch (Yugoslavia), Yugoslav Ambassador in Washington, D. C.; Dr. Josef Hanc (Czechoslovakia), Chief of Czechoslovakian Economic Service in the U. S. A.; Dr. Kan Lee (China), Commercial Counselor, Chinese Embassy, Washington, D. C.; Walter Loridan (Belgium), First Secretary, Belgian Embassy, Washington, D. C.; F. L. McDougall (Australia), Economic Adviser to the Australian Government in London; H. S. Malik (India), Consul-General New York, Member of the Supervisory Committee of the League of Nations; Redvers Opie United Kingdom), Economic Adviser, British Embassy, Washington, D. C.; Arne Skaug (Norway), Chief of Division in the Ministry of Supply and Reconstruction.

From the announcement we also quote:

"Part of the permanent staff of the League's Economic Services has been working in Princeton, New Jersey, under the direction of Dr. Alexander Loveday since 1940, where it has continued the League's well-known surveys and analyses of world economic developments. It has also undertaken an extensive program of studies on problems of post-war economic policy.

"The Committees welcomed the resolution providing for close cooperation between UNRRA and the League's technical services which was adopted at the Atlantic City Conference and decided that the fullest possible help should be offered by the League services to UNRRA, the Interim Commission on Food and Agriculture, and such other intergovernmental agencies as may be created.

"Certain important problems of post-war monetary policy and foreign investment are discussed by the committees in the report on this Princeton meeting, which will be issued shortly. On the problem of future foreign investment, special attention was directed to the establishment of conditions which would satisfy both borrowers and lenders and it was proposed to set up a special subcommittee to study and report on this problem."

AIB Executive Council To Meet In Memphis

The annual mid-winter meeting of the Executive Council of the American Institute of Banking will be held in Memphis, Tenn., Jan. 30-Feb. 1, 1944, it is announced by David L. Colby, national President of the Institute, who is Assistant Vice-President of the Boatmen's National Bank, St. Louis, Mo. Foremost on the agenda of the meeting will be consideration of war-time bank personnel training and the Job Instructor Training (J.I.T.) program now being conducted throughout the country by the Institute. In addition, discussion and plans for post-war personnel problems and training will be prominent in the council's deliberations. The Executive Council of the AIB is composed of 15 members, 12 of whom are elected Executive Councilmen for three-year terms to represent the 400 chapters and study groups of the Institute in various sections of the country. The Institute's president, vice-president, and immediate past president are the other three members of the council.

Members of the Council are: President, David L. Colby; Vice-President, William C. Way, Central National Bank of Cleveland, Cleveland, Ohio, and immediate past President, David E. Simms, Seattle Branch, Federal Reserve Bank of San Francisco, Seattle, Wash.

Other members are: Pierre H. Hauser, First Wisconsin National Bank, Milwaukee, Wis.; Victor H. Lloyd, The Charleston National Bank, Charleston, W. Va.; George E. Powell, Traders Gate City National Bank, Kansas City, Mo.; David T. Scott, The First National Bank of Boston, Boston, Mass.; George J. Greenwood Jr., The Bank of California National Association, Portland, Ore.; Herman W. Kilman, Federal Reserve Bank of Dallas, Dallas, Texas; Walton L. Sanderson, Hamilton National Bank, Washington, D. C.; Everett C. Stevenson, First National Bank, Nutley, N. J.; Floyd L. Geyer, California Bank, Los Angeles, Cal.; S. J. Kryzsko, The Winona National and Savings Bank, Winona, Minn.; Albert O. Werner, Industrial National Bank, Detroit, Mich.; and T. S. Wiggins, National Bank of Commerce, Memphis, Tenn.

Dr. William A. Irwin, national educational director of the AIB, and Floyd W. Larson, national secretary, both of New York, will also attend the meeting.

Meetings of the Institute's committees composed of Executive Council members will be held on Jan. 29. These committees include: Budget, Chapter Administration, Educational Advisory, Nominating and Transportation. Headquarters for the meeting will be the Peabody Hotel in Memphis.

Bureaucracy Extending Controls Over Economic Life Of America, Sexauer Warns

Bureaucracy is extending regimentation and control over the economic life of America through the "triple demons" of priorities, rationing and subsidies, Fred H. Sexauer, Auburn, N. Y., President of the Dairymen's League, told members of the National Cooperative Milk Producers Federation in the Morrison Hotel in Chicago on Dec. 3, it is learned from the Chicago "Daily Tribune" which quoted Mr. Sexauer as saying:

"This system is not only used to control, but to bar the right of appeal to the courts. The administrators seek the position of being the last legal word in matters of appeal.

"Practically every subsidy with which handlers of dairy products are familiar contains the provision that the recipient agrees to comply with all the orders of the Office of Price Administration, the War Food Administration, or some other Government agency in order to collect a subsidy which is supposed to be for farmers.

"These other provisions may have nothing to do with the payment of the subsidies. In the case of Government purchases of dairy products compliance with the regulations of various agencies frequently would be in violation of express conditions of statutory law.

"Such experience is warning enough for dairy farmers. In the AAA milk subsidy now in effect farmers are required to make only a simple statement regarding the amount of their production in order to collect the subsidy. But by the simple change of one sentence, promising compliance, this statement can be changed into an iron-clad contract.

"Such a contract could force compliance with all conditions the administrator of the subsidy might order. Such compliance, furthermore, would probably be subject to interpretation only by the administrator himself, who would be entrenched in a position of dictatorial omnipotence.

"This is no dream. It is everyday experience of the handlers of dairy products who are only one step removed in the line of distribution from the producers of milk on the farms."

Round table discussion in executive session occupied the delegates most of the day.

Willis Condemns Talk Of Runaway Food Prices; Sees Danger In Widespread Subsidies

Reckless statements predicting that the prices of some basic foods would be doubled within a year unless Congress granted the Administration's demand for subsidies were branded false and dangerous on Dec. 10 by Paul S. Willis, President of the Grocery Manufacturers of America, Inc.

"So-called 'official sources' have threatened that the prices of such items as butter, bacon and eggs would be twice their present level a year from now," Mr. Willis said. "It is perhaps understandable that the proponents of food subsidies would like to present their case in a strong light, but in a time of emergency like the present it is dangerous and destructive to issue unfounded, frightening statements which will lead directly to stampede buying and hoarding." Mr. Willis went on to say:

"The Administration has failed to convince Congress that subsidies would be an ultimate saving to the people of this country. After a thorough study of the problem, most Congressmen feel that subsidies are a political issue and not a sound economic measure designed to prevent inflation.

"The members of the House of have also found there is no serious threat of inflation in the present food situation. It is true that food is the most important item in the cost of living, and that the cost of living index has advanced about 22% since September, 1939, but it should be borne in mind that the take home pay of labor has risen over three times that much in the same period. In the absence of subsidies the prices of some food items may advance fractionally, perhaps as much as 5%, but food prices cannot be considered in a vacuum. They must be considered as a part of our tremendously expanding economy. Since the outbreak of war our national income has more than doubled. In 1939 it was $70,800,000,000 and in 1943 it is estimated that it will reach $147,000,000,000. In this expansion all of the elements which make up the prices of food products have advanced. The price of a finished food product is made up of the cost of raw materials, processing, labor and distribution. In order to prevent inflation on the one hand and destructive price squeezes on the other all of these elements must be kept in balance. Unless farm prices, labor and ceilings are brought into balance there will be an inevitable cut in food production at a time when America needs food as never before. Subsidies will not solve this problem. Artificial price supports will not bring the essential elements into balance. Subsidies will in fact further complicate the situation and create an ever increasing inflationary pressure.

"Labor's income is at an all-time high. Farm income has risen 76.1% since 1939. People generally have far more money today than ever before. In 1939 Americans had $33,300,000,000 on hand in cash and checking accounts. According to the most recent government reports individuals now have $71,800,000,000 in ready money, an increase of 115.6%.

"Widespread subsidies, by artificially reducing the cost of food at the retail level, would add to this huge reservoir of spending power and would do nothing to bring the cost elements of food into balance.

"Food prices are not now alarmingly high nor are they apt to be. In fact the American family is paying the lowest proportion of its income for food in the history of the country. The latest official estimate is that food is now only taking 16% of the family pay as compared to 25% before the war. In short, America is being charged a fair and reasonable amount for food, and it is in a better position to pay its grocery bills than it has ever been in the past.

"A study of the problem shows that without subsidies the price of food may be forced upward slightly by the pressure of rising cost elements and that subsidies will not correct this situation. It is a serious problem, but present conditions do not justify scare-head statements from supposedly reliable sources. America has enough food to meet its needs. We have had a record harvest and the food supply situation looks far better than it did six months ago. Further evidence that there is no cause for alarm can be seen in the fact that the armed services have recently released millions of cases of canned food for consumer use. In the face of these facts, to predict runaway price rises is to destroy confidence and invite hoarding.

The Financial Situation

(Continued from first page)

We think we see—at least we hope we see—a reflection of this revival of self-confidence and old-time vigor in the proceedings last week of the National Association of Manufacturers.

What a good many appear to have forgotten these past few years, is that the achievements of business are nothing more or less than the sum total of the achievements of each and every individual enterprise, and that the achievements of any individual enterprise are not governed by "national goals," magnificent "objectives," "social consciousness," or any of the other pet vaguenesses of the day-dreamers in Washington and elsewhere, but by the individual enterprise and ingenuity of the management and the effort of the workers to earn their daily bread. So far as we are aware, a business man does not ordinarily employ men in order to "do his bit" toward giving or finding employment for 66 million or 56 million or any other number of million men "set" as a national goal. Neither do they work overtime, or lie awake at night trying to puzzle out ways of producing more foods in order to bear their computed part of the collective goal of "national income produced."

The Role of Profit

In ordinary times business men exert themselves to the utmost, and assume risks for the profit they hope to obtain from their operations. That is what they are in business for —not to "contribute" something or other of uncertain value to "society" which may or may not want the contribution. This is a simple fact of common observation which no one is likely to deny, as applied to any specific situation, but from which too many of us shrink when stated in generalized form. It is, however, rather essential, it seems to us, to get this matter straight in our minds if we are to proceed intelligently in formulating public policy. Doubtless in times of great national struggle, business men are actuated by patriotic motives in the conduct of their affairs. It may even be that in some instances the patriotic desire to produce drives the business man to undertake ventures which are not the most profitable open to him. But however all this may be in times of great national crisis, the fact remains that peacetime economy is actuated by motives of enlightened self-interest, and must be if success is to be attained.

There is plainly an implied recognition of this elementary truth in the emphasis now being given in post-war discussion to those factors which render it possible for the alert, efficient, enterprising and vigorous business man to make a profit commensurate with the skill and energy which he is willing to devote to his undertakings. In proportion that such matters as these obtain the consideration they deserve and the treatment which wisdom demands, shall we succeed in reaching the very goals which so many dreamers have so often outlined in the past. It may appear strange that the best way to obtain a given end is to apply oneself assiduously to some other task, but such is the fact of the case in the situation here under consideration. We best achieve full employment and what is known as prosperity by attending to our daily tasks as well as we can, and by seeing to it that we do not place unnecessary obstacles in the way of the most effective performance of those daily tasks.

Thus it is that we find encouragement in the emphasis that is now being placed upon such matters as the termination of war contracts, taxation in the post-war period, a cessation of the business-baiting which for a decade has placed the producer under heavy handicaps, a stripping away of the strait-jackets that have been placed about business enterprises in the form of restrictive laws and regulations without number, a giving up of the notion that government must be eternally intermeddling in the affairs of business either to prevent abuses or to "stimulate" this, that or the other activity thought desirable, and more of the same general sort. What is needed, of course, is to call off the dogs and permit business to go its own way with only those restraints which are necessary to assure fair play, and such regulations as are necessary to provide a reasonable set of "rules of the game."

Renewed Self-Confidence

Time was when it appeared to be assumed as axiomatic in many quarters that either because "the economy had become mature" or for some other equally unreal reason, it henceforth would always be necessary to prod the business man, or to supplement his activity with some sort of collective projects, in order to have the ordinary kind of prosperity and progress to which the country has historically been accustomed for many decades. For a good while it often, too often, appeared that business men themselves were more than half convinced of some such doctrine. We still find traces of such items in the utterances of practical men here and there, but it is, so it appears to us, steadily disappearing, to be replaced with a renewed faith in the forces and the abilities which have in the past decades made American history the marvel of the world—and, incidentally, rendered the present war production record possible. We find the change healthful and most encouraging.

U. S.-British Cooperation In Post-War Monetary Planning, Advocated By Former ABA Head

Cooperation between the United States and Britain in formulating post-war economic and monetary plans was termed vital to the future welfare of both nations, by W. Linn Hemingway, former President of the American Bankers Association, on Dec. 1, upon his return from a month's visit to England made at the invitation of the British Ministry of Information.

W. L. Hemingway

Mr. Hemingway, who is President of the Mercantile-Commerce Bank and Trust Company, St. Louis, Mo., related his experiences and observations in England during the past month at a luncheon of welcome attended by the staff of the Association.

"During more than a century of American expansion and development Britain was a creditor nation to the United States," Mr. Hemingway declared. "Today, the situation is reversed and it is now the United States that is the creditor nation. When this country was the debtor, both nations worked together and prospered. Both can still prosper if they cooperate fully in formulating their post-war economic and monetary plans." Mr. Hemingway added:

"Cooperation is more difficult now because the war has made it necessary for Britain to adopt a fully managed currency and economy, but through conference and a meeting of minds, our mutual problems can be solved." He asserted that adherence to the principles of sound money and a gold standard is in his opinion indispensable in the post-war world.

Relating his experiences in England, Mr. Hemingway declared that "too much credit cannot be given to the British for the marvelous job they have done and are doing in prosecuting the war."

Reference to Mr. Hemingway's trip to England was made in these columns of Nov. 11, page 1917.

Trammell Warns Congress Of Apparent Trend Toward Federal Control Of Radio

NBC Head Urges Curbs On Bureaus

Niles Trammell, President of the National Broadcasting Co., told the Senate Interstate Commerce Committee on Dec. 8 to check without delay "the clearly apparent trend toward Government control of radio." To this end, Mr. Trammell suggested "a simple amendment now to the Communications Act halting further Government encroachment on the rights of the broadcaster and the listener."

Complete revision of the law, because of the stress of war, might be left to further deliberation, he said, "but such a temporary legislative step should be taken now." We quote from a Washington dispatch of Dec. 8 to the New York "Times" which reported his further testimony as follows:

"What has happened lately is the result of excessive zeal on the part of bureaucracy to apply new social concepts to American industry," Mr. Trammell told the committee in testifying on the proposed Wheeler-White radio bill.

"With radio in the United States under bureaucratic control of research, of enterprise, of business and of program policies, broadcasting can become a Federal monopoly without government owning a single share of stock in a radio station or having a single representative in corporate management. Such power is a gun aimed at the heart of all our democratic freedom."

For consideration in revising the act he recommended provisions guaranteeing radio broadcasting "full rights under the First Amendment to the Constitution," prohibiting the licensing authority from exercising any business or program control and providing for long term or permanent licenses, subject only to revocation for specified causes, by Government suit and jury trial in the Federal court of the station's district.

Licensees, Mr. Trammell said, should be made subject "to the same penalties as anyone else for violation of the anti-trust laws." He advocated elimination from the act of any right of the FCC to administer trust laws and inflict for violation "the death penalty" of license revocation.

Separation of the regulation of radio in the common carrier field from the regulation of broadcasting, as provided in the Wheeler-White bill, was recommended by Mr. Trammell, along with mandatory issuance of experimental licenses by the Government, to encourage development of new radio services, and prohibition of discrimination on the basis of occupation or business in granting licenses for broadcasting stations.

Recommendations of the Federal Communications Bar Association and the National Association of Broadcasters for revision of the procedural sections of the law should be adopted, the witness said.

Mr. Trammell said that restrictions which would "goose-step" the industry could not be imposed and at the same time preserve the American doctrine of free speech and press.

Farm Bureau Assails Govt & Labor On Wages

Also Criticizes Artificial Restriction of Money

The American Farm Bureau Federation adopted a resolution at its convention in Chicago on Dec. 9 blaming the Government and labor leaders for setting in motion a "wage inflation," both in industry and on the farm.

In reporting this, Chicago advices of Dec. 9 to the New York "Times" stated:

"We hold Government, as well as unwise labor leadership, responsible for the dislocation of wage structures in industry and on the farm," the resolution read. "It is significant that the Government itself has set the pace in the payment of excessive wages for war plant construction and operation, and that the resulting readjustments in all industry have set in motion a wage inflation that is still unchecked, and which numbers among its consequences the stripping of the farms of much of their skilled manpower.

"Equally reprehensible and fundamentally more vicious is the artificial restriction of production forced by labor leaders and condoned by the Government. Farmers do not believe that the great rank and file of American working people are responsible for, or are in agreement with, such policies and procedures."

Wartime strikes, slow-downs and unnecessary absenteeism were condemned by the resolution, which declared that the ability of labor and agriculture to absorb the maximum of each other's production "is dependent primarily upon an equality of purchasing power."

"Maintenance of economic balance between groups seems endangered by some developments of recent years," the resolution read. "With the aid and encouragement of government, and by pressure, threat and force, some labor leaders have wrested a dangerous advantage which, if not speedily checked, will threaten economic disaster and endanger our democratic form of government. An unbalanced economy is injurious to all groups and can be of no permanent benefit to any."

Senate Approves Wage Rise Of 8-Cents An Hour For Rail Workers

The Senate, according to an Associated Press dispatch from Washington, D. C., on Dec. 9 voted approval of an 8-cent hourly wage increase for 1,100,000 non-operating railroad workers, thus disregarding a warning from War Mobilization Director James F. Byrnes that the action would crack the Administration's anti-inflation line.

By a vote of 74 to 4, the Senate adopted the resolution after Senator Ellender (Dem., La.) had blocked an earlier attempt to pass it by unanimous consent.

The pay proposal now goes to the House where concurrence would lay it on the President's desk. This, the dispatch added, would put up to him the decision on supporting the position of his stabilization officials.

NYSE Borrowings Show Decrease

The New York Stock Exchange announced on Dec. 6 that the total of money borrowed as reported by Stock Exchange member firms as of the close of business Nov. 30 was $718,198,581, a decrease of $155,162,552 below the Oct. 30 total of $873,361,133.

The following is the Stock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $269,979,776; (2) on all other collateral, $448,400,805; reported by New York Stock Exchange member firms as of the close of business Nov. 30, 1943, aggregated $718,198,581.

The total of money borrowed, compiled on the same basis, as of the close of business Oct. 30, 1943, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $372,505,039; (2) on all other collateral, $500,856,094; total, $873,361,133.

Wilbert Ward Discusses World Bank

(Continued from first page)

method or by any method at rates which will stand the test of time. Some of them will begin to show almost immediately that they have been placed either too high or too low.

The great advantage of having an organization of some kind to discuss a change in rate, it seems to me, is that it will make it more likely that a nation that needs to have its rates changed will meet the situation and do what is necessary to either adjust its economy so as to avoid the change, or else to make it, than would otherwise be the case; because my mind goes back to the situation in France where, for almost two years, it was perfectly obvious that the franc was too high—that it had to be revalued; yet just because of the repercussions that were bound to come from the fact that there was no effective instrumentality to cushion it, nothing happened, and during that period business in France was stagnant; no one was the gainer by virtue of the situation which existed there.

So it seems to me, and the argument can be fairly well supported, that an organization of some kind which would cushion the shock of changes, and also consider dispassionately whether changes are necessary and perhaps provide some facilities, if an extension of credit for a short period might breach over a temporary gap and do things of that kind, I can see advantage in a mechanism which approaches the problem as one problem instead of what has become known as the key-country approach first making the dollar sound, bringing sterling into relation with it, and then having the dollar satellite and the sterling satellite currencies go together. There is a lot to be said for that. I don't know that the two ideas really clash, because it is possible to set up an organization such as I have suggested and still make the country-by-country approach, but it does seem to me that somewhere in the picture there is room for an international debating society in which changes in rate might be discussed and some small measure of action taken jointly, rather than to just let the whole thing work as—or not work as—it did in the past through the ordinary forces of supply and demand.

So, what I am trying to say, is that on balance I am one who leans toward the idea of an organization of some kind or other, an international organization of some sort, to handle the stabilization fund and to achieve what I think we all regard as a desirable thing, to wit, the stabilization of exchange within certain limits.

Now, there has come into being since your last meeting a proposal by Mr. Morgenthau for a United Nations Bank. I don't know how much of it you people know, but I have not seen very much discussion about it. I think, however, that it is a matter which should be most carefully and thoroughly considered. I hope some of those present here will be led to discuss it, and so, I suppose, before inviting you to do so, I should say something on the subject myself.

What I would say about the United Nations Bank I have pretty well already said. I made a talk before the Manufacturers' Association in Connecticut several weeks ago, during which I assembled a series of facts and assumptions which seemed to me to paint a picture of post-war trade in which the United States would be in better position to sell, with reasonable prospect of payment, than we have been for a long while, because, based on some estimates of one of my associates with regard to our import requirements, post-war, plus the study of the Bureau of Foreign and Domestic Commerce, which I suppose you all have studied, it looks as though we might achieve, at least according to the Bureau of Foreign and Domestic Commerce, in 1948, an actual adverse balance of trade—something we have not had since before World War I.

In other words, in that year, on their assumptions, we might sell $7,000,000,000 worth of goods, while we might buy $6,000,000,000 worth of goods; and also pay foreigners for goods, services, and new investments abroad, another $4,000,000,000; so that as the account would stand, we would give the rest of the world $10,000,000,000 with which to buy from us to the amount of $7,000,000,000.

If those assumptions are anywhere near correct, and there is quite a little leeway for being wrong and still create a fund of foreign exchange, which, if it were well distributed the world around among all our customers, would enable us to sell $7,000,000,000 worth of goods and get paid for them. Of course the situation cannot be as simple as that; because while the Latin American republics are accumulating foreign exchange, they probably have, collectively, somewhere around a $1,000,000,000 in gold and dollar exchange, and they probably have that much in sterling and other foreign currencies as well, and there are also, according to Dr. Bernstein, of the Division of Research of the Treasury Department, foreign nations the world around holding as much gold, and $2,000,000,000 more of dollar exchange now than they had at the beginning of the war.

I mention those things just to show you the picture. When the war ends, it is not likely to be one of 40-odd nations with no money in their pockets, with an empty porridge bowl, begging for food. I don't think that is the picture at all. So, on that basis, I would say that the banking mechanism we have now, plus the credit and funds that our manufacturers and exporters have themselves, seem to me to be adequate to meet the normal situation that we are likely to run into post-war.

I do not anticipate—I don't see that there is any volume of business to be done by a governmental institution, or other institution, other than those we already have in the field of short-term commercial credit, both on import and export account, post-war.

That brings me down to the question of what will the world bank do?

Does anyone here happen to have with him Mr. Morgenthau's release?

I would like to make some comment now on Mr. Morgenthau's release. I have not the release with me, and I shall therefore have to rely, in part, upon my memory.

My recollection is that Mr. Morgenthau, in the release which accompanied his proposal for a world bank, points out about what I have said—that the short-term commercial needs of our exporters and importers can be well met by the existing bank facilities.

The argument in Mr. Morgenthau's memorandum is to the effect that commercial banks and merchants and manufacturers can take care of ordinary credit; but there comes a time, according to the memorandum, when it is necessary that an institution with capital running into the billions should be set up for the purpose of taking care of that business which is not the proper province of the manufacturers, the merchants, the exporters, and the commercial bankers.

At that point, it seems to me, his argument falters a little, where he makes one or two points. In one of them he says the United States having spent billions for war, ought not to grudge a few billions to reconstitute the world.

Now, I do not take issue with that, except that I do say, and I have already said, in a letter sent to Mr. Bernstein, that I take issue with the statement that that is the function of a bank. In other words, I will concede that we have given and we probably shall have to give—and it seems, whether we want to do it or not, we are going to be invited, and, perhaps, compelled, to give a good many millions of dollars the world around for the rehabilitation of the rest of the world. I don't raise the question at the moment as to what extent that is justified, except that I do say I do not think any of it is justified in the guise of the functions of a bank.

In other words, if you are going to set up a bank, you should set it up to do a specific job, which is to finance a transaction which in the end will liquidate itself. I don't care what kind of bank it is; it is not a bank that will operate unless it fulfills that primary function.

My argument is this: That if the assumptions that the Bureau of Foreign and Domestic Commerce has set up are correct and we are going to have a kitty of $10,000,000,000, out of which our exports, say in the year 1948, are to be paid, then the only kind of bank that will do us any good will be one that will serve through its lending to enlarge that kitty. In other words, if, through the loans, we make, productive enterprises are set in motion, which will, within the terms of the loans as made, produce, in the hands of the country to which the loan is made, enough foreign exchange so that they can retire the loan within its terms, then you have done something; but it seems to me that the test of a bank must always be that a bank doing an international lending business, must always feel that no loan is justified unless it has a reasonable prospect of producing, in addition to the foreign exchange already available in that country, sufficient additional foreign exchange to retire the loan according to its terms.

I fail to see any recognition of that principle in Mr. Morgenthau's memorandum, and, to that extent, I think the memorandum is defective.

Seeks To Encourage Foodstuff Production

To encourage New York State boys and girls to produce and conserve foodstuffs vitally important in the war effort, the New York State Bankers Association is distributing 50,000 4-H project achievement pins in 55 agricultural counties, Walter W. Wightman, Chairman of the Association's Committee on Agriculture, announced on Dec. 7.

The demand for pins for presentation to boys and girls upon the successful completion of 4-H projects has more than doubled since Pearl Harbor, Mr. Wightman said. The increase is attributed to greater activity among farm boys and girls and also, in part, to the large number of city children who have become eligible for achievement awards by reason of raising Victory gardens and chickens and carrying on home economics projects. The New York State Bankers Association has been awarding achievement pins since 1927. This year's pins, as a wartime exigency, are made of plastic instead of metal.

Shaeffer Director of Treasury Public Relations

The appointment of Charles P. Shaeffer, former Washington newspaper man, as Director of Public Relations for the Treasury Department was announced on Nov. 30. Mr. Shaeffer succeeds Charles Schwarz, formerly of the Chicago "Daily News".

Byrnes Warns Of Crisis On Home Front If Cost Of Living Is Not Kept Down

Declaring that the primary issue before the American people today is whether the cost of living is going to be kept down, James F. Byrnes, War Mobilization Director, warned on Dec. 7, that if Congress kills the Administration's subsidy program it will result in an increase of 7% in food prices and demands for increased wages from organized workers.

In a radio address, Mr. Byrnes said that "the prospect of a stable, peaceful and prosperous America is far from bright simply because the American people apparently do not realize the supreme importance of holding the line against inflation."

He appealed to the leaders of labor, agriculture and industry to help the Government to hold-the-line "so that we will not lose the peace while our boys win the war."

Associated Press Washington advices further reported Mr. Byrnes' remarks as follows:

Byrnes said he was happy to announce for the benefit of Hitler and Hirohito that our "150,000th airplane came off the assembly line today," that results of full mobilization have been tremendous.

"But we cannot afford to rest on our oars," he warned.

The most critical and bloodiest battles of the war are ahead of us, he said, and "this is not the time for us to take our eyes off the target."

Mr. Byrnes said that War and Navy Review Boards, working with his office, have been able to eliminate or reduce certain programs by "the staggering amount of $16,000,000,000," but this, he added, should not be construed as reason for any letdown.

"There is not the slightest ground for believing that the cutbacks in our production program or any other possible economies will relieve the urgent need for greater savings and greater taxes in the near future."

"We obviously have failed to adopt a tax program adequate for our war needs," he said, without mentioning the House-approved bill now before the Senate Finance Committee to raise slightly in excess of $2,000,000,000, one-fifth of the amount asked by the Administration.

Other pending bills against which he inveighed were those to grant a flat raise of 8 cents an hour to non-operating railroad workers, and to raise the prices of milk and oil.

"It is truly impossible," he said, "for any administration to attempt to administer equal justice under law if special groups, be they oil or coal producers or coal miners or railroad employees, can get special treatment.

"No group has a right to hold a political pistol at the head of the Congress or any administrative agency and say that they will strike. Any group that threatens to strike in wartime unless the executive or legislative branch of the Government meets its demands, is using a political pistol. The Government must say to any such group 'lay that pistol down.'"

Mr. Byrnes said the primary issue before the American people today is whether we are going to keep down the cost of living. He said the general cost of living has risen only about 5% during a year of "drastic readjustments," but food has gone up 22% in two years. Asserting this was a great hardship to people with fixed incomes, he said if Congress kills subsidies and raises the price of bread and butter, meat and milk, sugar and other staples, these people will suffer even more.

Any Further Increase In Farm Prices Undesirable, Davis Says; Opposes General Use of Subsidies

Chester C. Davis, former War Food Administrator, declared on Dec. 7 that "in the interest of long-term farm welfare any further marked increase in the general level of farm prices is undesirable."

Mr. Davis, who is President of the Federal Reserve Bank of St. Louis, told the American Farm Bureau Federation in Chicago that he also opposed the general use of food subsidies but maintained that those which resulted in expanded production should be continued.

Mr. Davis stated that the general level of farm prices this year was high enough to yield a cash farm income of between $19,000,000,000 and $20,000,000,000, compared with $8,700,000,000 in 1930 and $11,300,000,000 in 1929.

The following was also reported in Associated Press Chicago advices Dec. 7:

"Unless their production costs materially increase, farmers for their own and the general welfare should join wholeheartedly to hold their prices in check. For one thing, further increases would add to the danger of inflation in farm real estate prices that already is on the horizon."

Mr. Davis said flexibility in price adjustment between commodities is needed and "is almost wholly lacking in the present OPA-WFA-Economic Stabilization setup." He figured some prices ranged higher and others lower than they should have.

"I do not believe that the general use of Treasury subsidies is necessary either to keep food prices from advancing further or to secure downward adjustment in the case of commodities when consumer prices are higher than necessary to get production and reward the producer," Mr. Davis asserted.

"Neither, on the other hand, do I believe it is a wise national policy to prohibit all use of subsidies. Whether they are used, and the extent to which they are used, should depend on their necessity from the standpoint of planned and intelligent food management."

Mr. Davis stated the division of pro-subsidy and anti-subsidy groups into "warring camps" was a tragic mistake that could have been averted by proper cooperation between executive and legislative governmental branches in developing a long-range program for the management of the United States food supply.

"The best protection the consumer can have is an ample supply of essential foods," he continued. "Some of the support price subsidies have contributed substantially to expanded production. They ought to be continued, and similar moves should not be outlawed in the future if they become desirable. On the other hand, the impulsively and poorly planned 'rollback' subsidies on meat and butter were not intended to increase the food supply. They were aimed to bring about a slight statistical lowering of the cost-of-living index, but they were not well chosen from the standpoint of wartime food management."

Mr. Davis said a general subsidy of consumer costs contradicts the basic principle of inflation control, "which is that consumer buying power must be brought down by taxes and firm savings until it is in balance with the goods that are for sale."

President Signs Bill To Delay Father Draft—Hershey Given Full Authority Over System

The White House announced on Dec. 10 that President Roosevelt had signed the draft legislation designed to delay the induction of pre-Pearl Harbor fathers.

The legislation does not prohibit the induction of pre-war fathers but requires that they be called for service only after the nation-wide pool of available non-fathers has been exhausted. The measure also strips the War Manpower Commission of all jurisdiction over administration of the Selective Service Act and, in effect, nullifies the WMC order (work or fight), listing certain occupations as non-deferrable regardless of the dependency status of the occupant, by prohibiting group occupational classifications as bases for deferment.

Congressional action on the legislation was completed on Nov. 22 when the Senate adopted a conference report, which the House approved on Nov. 18. The measure was a compromise between separate bills voted by the Senate and House in October which were the outgrowth of a Congressional drive late in the summer to halt the induction of fathers.

In accordance with the President's action, Maj. Gen. Lewis B. Hershey, Selective Service Director, who is given sole jurisdiction over the Selective Service system, instructed State directors to defer fathers as long as it was possible to get their quotas otherwise and to recognize hardship cases.

Paul V. McNutt, Chairman of the WMC, issued on Dec. 10 an order rescinding the WMC list of non-deferrable occupations.

The non-father draft legislation also provides for appointment of a commission to determine whether Army and Navy physical standards can be lowered to permit induction of some men now classified as 4-F (physically, mentally or morally not up to Army-Navy standards). Gen. Hershey told the House Military Affairs Committee on Dec. 11 that the idea of lowering physical standards would be explored fully.

Mr. McNutt, whose authority over the draft system is removed, objected to passage of the legislation on Nov. 20, saying it would "sabotage" sound administration of the over-all manpower program designed to recruit manpower for the armed services, the war production industry and the civilian economy. In a letter to Senator Johnson (Dem., Colo.), Mr. McNutt wrote that the provision authorizing the President to delegate selective service authority to the Director of Selective Service only "would tear apart the relationship which has been established and would seriously weaken the manpower program."

Armed Forces To Induct 2 Million More Men In Next Six Months, Gen. Hershey Says

Maj. Gen. Lewis B. Hershey, Director of Selective Service, estimated on Dec. 8 that 2,000,000 more men, including about 1,000,000 pre-Pearl Harbor fathers would be inducted into the armed forces before July, 1944.

Speaking at the War Congress of American Industry, marking the annual convention of the National Association of Manufacturers in New York City, Gen. Hershey conceded that changes in the strategic situation might alter the picture.

In reporting his remarks, the New York "Times" of Dec. 9 stated:

He estimated that about one-fifth of the 5,000,000 men between the ages of 18 and 38, who are classified as 3-A because they are pre-Pearl Harbor fathers, would be physically fit for induction. General Hershey conceded that statisticians for the Selective Service administration believe the figure would run somewhat above 1,000,000, probably as high as 1,300,000, but he said he was skeptical of the latter figure.

The remaining 1,000,000 to be inducted will be made up of 400,000 youths of 18; 100,000 17-year-olds who will enlist voluntarily, and 500,000 from reclassified 4-Fs and from those now deferred as essential on farms or in war industry, General Hershey said. In response to a question, he broke down the 500,000 figure into 200,000 from the farms and the reclassified 4-Fs, and 300,000 from industry.

In his frank discussion of the manpower situation, General Hershey disclosed that the strength of the armed forces was about 10,100,000, with Army personnel now totaling 7,400,000 and those in the Navy, Marines and Coast Guard numbering 2,400,000. He pointed out, however, that to get this total of slightly more than 10,000,000, about 11,000,000 men had been inducted, almost 1,000,000 of whom had been discharged.

The goal of the armed forces is 11,300,000 men by July 1, General Hershey said. He added, however, that in addition to the 1,200,000 or 1,300,000 required to reach this total, another 700,000 to 900,000 would be needed for replacements. After July 1, he said, perhaps 100,000 men a month would be required to maintain the fighting forces at their full strength.

There are about 13,000,000 men between 18 and 38 who are not in any of the armed services, General Hershey said. Of these, he explained, 1,000,000 are being "processed"—that is, being reclassified by their local draft boards, or are in course of induction.

About 3,400,000 men in the age group have deferments on occupational grounds, he said, with 1,600,000 of this total in industry, and the remaining 1,800,000 in agriculture. He added that 3,600,000 were classified as 4-Fs, including not only those rejected for physical disability, but also those discharged from the services on that ground. The rest of the 13,000,000 consists of the 5,000,000 pre-Pearl Harbor fathers, he explained.

Out of the 5,000,000 fathers in the age group, General Hershey went on, 1,000,000 probably would be classified as 1-A and inducted; 1,000,000 more would be deferred as essential in industry, and a third 1,000,000 would be deferred for work on the farms. He forecast that 1,500,000 would be classified as 4-Fs, and that 500,000 would be deferred as cases that brought unusual hardship on their families.

General Hershey said deferments on occupational grounds would be increasingly difficult to get during the coming months; that the armed forces would have to lower their physical standards; and that the process of decentralizing the Selective Service system to give greater leeway to the local boards to meet local conditions would continue.

He predicted that local boards would prove increasingly reluctant to continue occupational deferments for young single men, regardless of their skills, when they had to call fathers in their places to fill their quotas. He remarked jokingly that the time might come when the number of men under 25 to be deferred would be so few that their names would all be on file in Washington, ready for a Congressional Committee.

Federalization Of Unemployment Insurance Step Toward Totalitarianism, Says Linton

(Continued from first page)

They would run up to a maximum of $30 a week, that is at a rate of $1,560 a year.

"Since the control of the system would be centered in Washington, political influence could be exercised in a single direction from one end of the country to the other, with none of the neutralizing influences as between states that would be present if politics should perchance come to play an unsavory part in individual state systems. The temptation would be enormous for a Federal administration facing defeat at the polls to use a Federally controlled system dispensing unemployment and disability benefits to influence votes. And no civil service rules would stand up under the presure. Furthermore, it would be equally dangerous no matter which political party were in power. If we want to take a long step toward totalitarian government, destructive of personal freedoms and the Bill of Rights, Federalization of unemployment insurance would be an effective way of doing it."

Similar arguments may not be advanced against the existing Federalized old age and survivors system, Mr. Linton said, because little discretion has to be exercised under that system since the falling due of benefits is usually determined by the attainment of a given age, or by the death of the insured worker, about which there can be little question.

The speaker warned against the proposals before Congress for compulsory insurance to provide health and hospital care for the 110,000,000 persons, who would be covered by the old age and survivors insurance system if extended as proposed.

Pointing out that the test of any plan to provide compulsory health and hospital insurance is whether or not it is likely to achieve the objectives better than alternative plans, Mr. Linton declared:

We encounter a strong conviction on the part of the great majority of doctors and managers of voluntary hospitals, that the rank and file of the population would be poorly served by such a plan run by bureaus controlled from Washington. Indeed, they are convinced that the plan would lead to an actual deterioration in the high medical and hospital standards achieved in the United States. It is evident, therefore, that the subject neds the most careful consideration before the country launches upon a program that those best qualified to have a sound judgment believe would involve serious error."

The need for improvement in the field of health and hospital care is generally recognized, he continued, but "the point at issue is the method of achieving the objective. Again we are faced with a choice between a sound but relatively slow method which relies upon individual initiative, voluntary action and decentralization, and a dangerous program which would rely upon governmental compulsion exercised from Washington and seeking to solve the problem at one swoop."

Mr. Linton cited the following as the main points of a three-fold program favored by many who are experienced in this field:

(1) Vigorous, continuous efforts should be made to achieve improvements in the field of prevention.

(2) The present system of free medical and hospital care for the lower income groups should be improved and extended to areas not now adequately served, and improvements should also be made in arrangements for care of the aged poor.

(3) Maximum efforts should be exerted to encourage voluntary prepared systems providing adequate hospital and medical care.

Turning to the financing of social security, Mr. Linton referred to proposals before Congress which would raise the payroll taxes to 12%. He termed unsound the argument that they should be increased in order to combat inflation, and also asserted that they should not be increased on the plea that they are needed to finance the war. "To use the social security taxes for a double purpose would be dangerous," he continued. "Later when only the single social security purpose remained and there still was a large excess of income over outgo, there would be great danger that pressure groups would find ways to use the money that appeared not to be needed. The way to protect the system is to use social security taxes for social security purposes only."

Tests which Mr. Linton felt should be applied in appraising social security proposals were: (1) Does the program allow ample opportunity and provide adequate incentives for people to develop initiative and ambition, thereby reducing to a minimum the temptation to turn government to achieve personal security? (2) Does the program undertake to do what can better be done by private, voluntary means? (3) Does the program enhance unduly the power of central government?

Commenting on the third point, he said: "After observing the events that occurred on the continent of Europe after the last war, it is not difficult to understand the real menace to democratic institutions inherent in centralization programs. Let no one delude himself that 'it can't happen here'."

SEC Amends Rules On Property Reports

The Securities and Exchange Commission announced on Dec. 9 the adoption of amendments to Rules 5-04 and 12-06 of Regulation S-X. The Commission states that on Dec. 22, 1942, it adopted comprehensive amendments to Regulation S-X designed to simplify and shorten reports required to be filed by registrants by permitting under designated conditions the omission or partial omission of certain schedules.

The announcement goes on to say:

"The Commission's experience with these amendments has not been entirely satisfactory. The present revisions are designed to secure with a minimum burden and expense certain information deemed essential relating to property, plant, and equipment under designated conditions. While the rules as amended call for the filing under certain circumstances of information with respect to property, plant, and equipment not now required, the present requirements relating thereto are less than those existing prior to Dec. 22, 1942.

"As amended, Rule 5-04 permits the omission of Schedule V. Property, plant, and equipment, if the total of such assets at both the beginning and end of the period does not exceed 5% of total assets (exclusive of intangibles) and if neither the additions nor deductions during the period exceeded 5% of total assets (exclusive of intangible assets). The amendment to Rule 12-06 provides that, in case the additions and deductions columns are omitted from Schedule V, as permitted by Note 3 of Rule 12-06, the total of additions and the total retirements and sales shall be given in a footnote to the schedule."

Legal Advisory Group Is Created By OPA

A Legal Advisory Committee to the Price Administrator is being established, it was announced on Dec. 7 by the Office of Price Administration. The Chairman of the Committee will be E. Barrett Prettyman, of Washington, D. C., who has accepted the appointment made by Chester Bowles, Administrator. At the same time, the announcement said Richard H. Field, of Weston, Mass., was appointed legal adviser and acting general counsel. Mr. Prettyman is a member of the law firm of Hewes, Prettyman, Awalt and Smiddy, of Washington. Formerly he was general counsel for the Bureau of Internal Revenue in Washington (1933-30), and corporation counsel for the District of Columbia (1934-36). He is a former President of the District of Columbia Bar Association. It was indicated that the appointment of the three other members of the committee will be announced shortly.

In announcing the creation of the above committee, Mr. Bowles made the following statement:

"The operations of the OPA must necessarily rest upon the law which created it. Each regulation must be legally sound. It should also be clear, practical, and easy to live with.

"Broadly speaking, this new Legal Advisory Committee has been set up to help the present legal staff in carrying out all phases of its vitally important responsibility. It will advise the Administrator as to the adequacy of the OPA legal staff and its budget to perform its functions in the difficult and fluctuating economic and social conditions resulting from the war.

"Perhaps most important of this committee's activities will be the following:

"1. The committee will examine legal procedures in the rent, price and rationing departments and will make suggestions for simplicity, efficiency and prompt execution.

"2. It will examine the operation of the Office of Administrative Hearings and make any suggestions it cares to regarding the efficiency of the present operation, promptness in hearing and deciding cases, the fairness and adequacy of procedures, and so on.

"3. Finally, the committee will study the problems of the Enforcement Department, and particularly the means of dealing more effectively with the black market. In addition to studying procedures, it will make recommendations as to budget and personnel for enforcement."

Cgo. Home Loan Bank Reduces Deb. Funds

The Federal Home Loan Bank of Chicago entered December with a reduction of $2,000,000 in its indebtedness on debentures, A. R. Gardner, President of the Bank, pointed out on Dec. 5. By refunding only $4,000,000 of its $6,000,000 participation in the consolidated debenture issue of the entire Federal Home Loan Bank system which matured on Dec. 1, the district bank serving Illinois and Wisconsin savings and loan associations effected this cut. The Dec. 1 refunding issue for the entire bank system was $64,300,000, a reduction of $1,700,000 for all 12 Federal Home Loan Banks combined. It is further noted that steady inflow of funds into member savings and loan institutions throughout 1943, plus the past experience that January is a particularly heavy month in the inflow of new money from the public, justifies the regional bank's reduction in its debenture funds, it was pointed out.

Roger Babson Discusses Subsidies

(Continued from first page)

will stop raising wheat. There are two ways to prevent this. One is to let the price of wheat go up so that production will again increase; the other is for the Government to "appease" the farmers by giving them a small bonus or subsidy for raising wheat. (A few years ago we gave them a bonus for *not* raising wheat!) In a way, the subsidy plan seems fair because then the extra cost would be distributed all over the country through taxation and not fixed upon the farmers alone.

Subsidies Prevent Price Pyramiding

When the Law of Supply and Demand is permitted freely to work—as it must be in the long run — there is a considerable pyramiding of profits For instance, when the farmer raises his price for wheat, the convertors, wholesalers and retailers are not content to add the equivalent amount to the price of flour and bread but all increase their prices on a percentage basis. This could result in the price of bread increasing five cents when the farmer receives only one cent more for the wheat in the bread. Hence, the labor unions want subsidies.

President Roosevelt and his advisors are having a terrible struggle to keep wages at their present level and this can be done only by keeping prices at their present level. The Administration is in an especially tough spot at the present time because next year is election year. It will be very difficult to hold both the farmer vote and the labor vote, to say nothing regarding the consumers' vote. Subsidies do not solve the problem; but they could postpone the solution until after the election!

Subsidies Are A Political Gamble

This country now is much like a man who needs to have a surgical operation, but he has some very important affairs facing him and cannot now afford the time to go to the hospital. Therefore, the doctors give him a belt to wear and certain pills to take which will delay the necessity of an immediate operation. Moreover, once in awhile, during such a delay, nature cures the patient and the operation is not needed at all. Although believing in their hearts that the subsidy program will give only temporary aid, the President's advisors do know that there is one chance in ten of it giving permanent relief.

Subsidies are habit-forming. To start subsidies may be like a man starting to use a drug. A man believes he can quit it any time, but too many have been sadly disappointed. *Subsidies are like certain drugs—useful on occasions, maybe, but very dangerous.* After subsidizing one product, producers of other products will try to get similar Government aid; soon the country could be in an awful mess. As it is always easier to start a habit than to break it up, it will be much more difficult to cut off subsidies in years to come, than to start them at the present time.

Some Subsidies Probably Wise

A further evil of subsidies is that they are never paid for by current taxes, but by selling Government bonds and dumping the cost on future generations. Naturally, this is a popular argument, but a very questionable one in the sight of God. Finally, this question of subsidies is closely connected with the possible length of the war. If we are in for a long war there is no use of bothering with subsidies. We had better let nature take its course and inflation gradually increase with a slow rise in both prices and wages. Both must go up together and, hence, in the end no one group will be any better off.

On the other hand, if it is to be a short war, then subsidies can perform a real service even to the farmers by lessening the dangerous drop in farm prices which is sure to take place after the war. This is because subsidies will succeed in keeping down prices for a short time. (I will discuss the probable length of the war in my Annual Forecast which will be released on December 30.) Probably —as the lesser of two evils—a subsidy on a *very few* universally used products may now be wise.

Adoption Of 'Prudent Investment' Theory In Public Utilities' Valuation Urged By 2 Agencies

Kripke Declares Federal Power Commission and Justice Department Both Want This System

Both the Federal Power Commission and the Department of Justice are continuing to press for adoption of the "prudent investment" theory in the valuation of public utilities, according to Homer Kripke, Assistant Solicitor of the Securities and Exchange Commission.

Speaking before the recent second annual conference of the Technical Valuation Society in New York City, Mr. Kripke noted that the "regulatory commissions have made strenuous efforts to have the Supreme Court throw over **Smyth v. Ames** and hold that rate regulations may be based on prudent investment instead of present value." He declared that some lawyers were of the opinion that the Supreme Court has already done so in the Natural Gas Pipeline case, which it decided last year. In any event, Mr. Kripke pointed out, this very issue is now squarely before the Court again in the case of the Federal Power Commission v. Hope Natural Gas Co., and called attention to the possibility of a decision in the next month or so.

Even if this question is not finally settled in the Hope case, remarked Mr. Kripke, it is likely that both the Federal Power Commission and the Department of Justice will keep trying to accomplish the abandonment of the doctrine in Smyth v. Ames and the adoption of the prudent investment theory. He noted that their arguments in the Hope case have been filed at least four times in other cases before the Court.

Should the Supreme Court expressly permit the rate base to be determined on a cost or prudent investment theory, concluded Mr. Kripke, "the appraiser's role in the determination of current reproduction cost will disappear from rate cases, except possibly in States where there is a statutory requirement for finding of present value."

1944 Construction Estimated At $4.2 Billion Compared With $7.4 Billion In 1943

New construction expenditures in the continental United States are expected to drop from an estimated $7,400,000,000 in 1943 to approvimately $4,200,000,000 in 1944, Secretary of Labor Frances Perkins reported on Dec. 11. "Construction for private account will decline from an estimated $1,600,000,000 in 1943 to $1,300,000,000 in 1944," she said. "Public construction expenditures for 1944 are forecast at $2,900,000,000 as compared with a preliminary estimate of $5,700,000,000 in 1943."

Secretary Perkins further stated:

"Private construction expenditures were lower in 1943 than in any year since 1934 and if the war continues through 1944 will probably approach the level of the bottom depression year. Non-farm residential construction expenditures in 1944 will amount to approximately $600,000,000 as compared with $756,000,000 in 1943. Practically all of this type of construction will be found in critical housing areas in war industrial centers. As in 1943, privately financed non-residential construction is expected to consist largely of war plants and should not total more than $100,000,000 as against $148,000,000 in 1943. The outlook for farm construction at this time indicates that the total for 1944 will be about the same as in 1943. Public utility construction expenditures amounted to approximately $400,000,000 in 1943 and the prospects are that they will not exceed $310,000,000 in 1944.

"The size of the 1944 public construction program will be largely determined by the need for new industrial facilities and military and naval construction. At this time the outlook is that not more than $200,000,000 will be spent for public war housing in 1944 as compared with expenditures of $628,000,000 in 1943. Non-residential construction expenditures, including those for industrial facilities financed from public funds are expected to total approximately $650,000,000 in 1944. The preliminary estimate of these expenditures in 1943 is $1,737,000,000. Direct military and naval construction expenditures will probably amount to no more than $1,350,000,000 in 1944, slightly more than half of the $2,474,000,000 expended in 1943. There is still work to be done on the strategic network of highways and on access roads and flight strips. This work will maintain highway expenditures at a level not far below that of 1943 when expenditures totaled approximately $407,000,000. The total of all other Federal construction expenditures will probably not exceed $250,000,000 in 1944 as compared with $391,000,000 in 1943. State and local expenditures are expected to decline from about $110,000,000 in 1943 to not more than $80,000,000 in 1944."

Estimated New Construction Expenditures in Continental United States, 1943 and 1944

(Millions of dollars)

Function and Ownership	*1944	1943
Total new construction	4,230	7,353
Private construction	1,310	1,606
Residental (nonfarm)	600	756
Nonresidential	100	148
Farm	300	302
Public utility	310	400
Public construction	2,920	5,747
Residential (war housing)	200	628
Nonresidential (includes industrial facilities)	650	1,737
Military and naval	1,350	2,474
Highway	390	407
Other public—		
†Federal	250	391
‡State and local	80	110

*Preliminary, subject to revision. The estimates include expenditures for major additions and alterations but not for maintenance.

†Includes conservation and development, TVA, and public pipe line construction expenditures.

‡Includes water supply, sewage disposal and miscellaneous public service enterprises.

U. S. Hails Bolivia At War

Dr. Luis Fernando Guachalla, the Bolivian Ambassador to the United States, notified the State Department on Dec. 6 of his country's declaration of a state of war with the Axis powers.

"This Government," the State Department at Washington announced, "received with gratification the notification."

Expansion Of Total Labor Force To 66,300,000 Workers By Next July Estimated By McNutt

A total labor force of 66,300,000 in July, 1944, is envisaged in a reappraisal of manpower requirement estimates announced on Dec. 7 by Paul V. McNutt, Chairman of the War Manpower Commission. This number, an increase of 1,500,000 over July, 1943, will be by far the largest ever mobilized into productive employment or military service in this country.

Reappraisal of estimates was desirable, Mr. McNutt said, in view of these two developments:

"(1) Employment in non-war activities such as trades and services is not declining as predicted.

"(2) Changed estimates by the War Production Board indicate that munitions expenditures during the calendar year 1944 are not expected, owing to changes in the program dictated by military experience and strategy, to exceed $76,700,000,000, whereas the War Manpower Commission's estimate for munitions industries, announced last June 28, was based upon an earlier WPB production schedule totaling $82,400,000,000 for 1944."

It is now expected, according to Mr. McNutt, that munitions employment will increase only to 10,700,000, instead of 11,300,000, as estimated in June. Employment in trades and services will decline only slightly from 10,600,000 to 10,500,000, instead of to 9,900,000. Employment in the Federal war agencies will remain constant at 1,600,000, instead of increasing to 2,000,000. A few other less significant revisions have also been made in estimates.

Mr. McNutt said he considered expansion of the total labor force to 66,300,000 feasible. The increase in the labor force due to population growth should provide approximately 500,000 above and beyond normal losses from death, disability and retirement, he pointed out. The remaining 1,000,000 must be new workers, primarily women.

"The total of 10,700,000 workers which will be needed in the munitions industries represent an increase of 1,400,000 over the July, 1943 level and 1,000,000 over September, 1943," Mr. McNutt said.

Plan Proposed To Enable Banks To Combat Inflation Through "Purchase Clubs"

A plan designed to enable the nation's banks to combat inflation today, provide employment for millions after the war; and assure themselves of billions of dollars in postwar consumer durable goods financing, has been advanced by Charles W. Green of the Franklin Square National Bank, of Franklin, Square, Long Island.

The plan, already in practical operation in that bank, calls for the organization of "Purchase Clubs" in each of the nation's 15,000 banks. Members of these clubs deposit regular weekly amounts in special Purchase Club Accounts known as "My New Car," "My New Refrigerator," "My New Home" and so on through the list of consumer items. Individual pass books are issued for each objective. In a sense, it is time buying in advance, since consumer durable goods are unavailable at the present time. It directs the dollars which are now being wasted on transient luxuries into constructive channels.

The plan has been approved by Dr. Ernest M. Fisher, Deputy Manager of the Savings Division of the American Bankers Association and by the New York State Banking Association.

The Franklin Square National Bank has made the plan available to banks all over the country, and has made arrangements with its printers to release the necessary literature to those interested. They have also reprinted the original speech delivered to the recent American Bankers Association Convention in New York by Mr. Green advocating the plan. Arthur T. Roth, Executive Vice President of the Franklin Square National Bank, has announced that the plan is being made available to any bank in the country that requests it, without charge. He points out that those adopting it have every reason to look forward to a substantial share of consumer credit financing which will automatically result from such accounts.

Army Survey Reveals Soldiers' Complaints

An opinion survey conducted by the Army Services Division's Director of Morale revealed on Dec. 5 that two out of five service men complained that their trousers were ill fitting and the War Department immediately issued a rule permitting the men to have their clothes altered without charge.

Maj. Gen. F. H. Osborn, director, found out about the tight trousers along with hundreds of other facts on what a private thinks, what he wants, what he doesn't like and why, through an opinion survey which goes on continuously.

In United Press Washington advices of Dec. 5, the following was further reported:

Thousands of questionnaires are distributed among service men at home and abroad. Anonymity is assured and men are told that any honest answer is the right answer. Space is left for expression of unsolicited opinion or information.

Only one soldier in eight has complained that his shoes do not fit—an almost universal complaint in the World War.

Among other things, the services division found that a majority of the men overseas want more news from home. Many others want some means of continuing their education in their leisure time.

Contrary to barracks conversation and Army jokes, most soldiers are satisfied with their food. Four-fifths of the men have said their chow is good. It is fresh and hot and they have all they want.

A majority of the men want to get the war over as soon as possible. Their main idea, beyond this, is to get back home and find a job.

In the entertainment field, motion pictures are the favorite of the majority. The soldier's favorite sport is baseball and his chief off-duty occupation is writing letters home.

Two-thirds of the soldiers are single, have been to high school and go to church once in about four weeks.

Federal Court Curbs OPA

Federal Judge Peison M. Hall ruled in a Los Angeles court on Nov. 30 against practices of the Office of Price Administration of suing for treble damages in price-fixing violations and examining records without subpoenas.

In dismissing alleged violations against a lumber yard and a uniform manufacturing company, Judge Hall decreed that the OPA had no right to sue except in cases involving black market operators or bootleggers, according to the United Press.

Electric Output For Week Ended Dec. 11, 1943, Shows 16% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Dec. 11, 1943, was approximately 4,566,905,000 kwh., compared with 3,937,524,000 kwh. in the corresponding week last year, an increase of 16.0%. The output of the week ended Dec. 4, 1943, was 17.4% in excess of the similar period of 1942.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	Week Ended			
Major Geographical Divisions—	Dec. 11	Dec. 4	Nov. 27	Nov. 20
New England	8.1	8.0	5.3	7.7
Middle Atlantic	17.4	17.3	18.1	20.5
Central Industrial	11.7	12.9	11.5	14.1
West Central	7.8	10.4	7.2	7.9
Southern States	17.0	17.9	18.5	19.9
Rocky Mountain	12.4	14.4	15.9	15.5
Pacific Coast	30.3	35.3	34.6	36.9
Total United States	16.0	17.5	16.9	18.9

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1943	1942	% Change 1943 over 1942	1941	1932	1929
Sep 4	4,350,511	3,672,921	+18.4	3,132,954	1,423,977	1,674,588
Sep 11	4,229,262	3,583,408	+18.0	3,322,346	1,476,442	1,806,259
Sep. 18	4,358,512	3,756,922	+16.0	3,273,375	1,490,863	1,792,131
Sep. 25	4,359,610	3,720,254	+17.2	3.273,376	1,499,459	1,777,854
Oct. 2	4,359,003	3,682,794	+18.4	3,330,582	1,506,219	1,819,276
Oct. 9	4,341,754	3,702,299	+17.3	3,355,440	1,507,503	1,806,403
Oct. 16	4,382,268	3,717,360	+17.9	3,313,596	1,528,145	1,798,633
Oct. 23	4,415,405	3,752,571	+17.7	3,340,768	1,533,028	1,824,160
Oct. 30	4,452,592	3,774,891	+18.0	3.380,488	1,525,410	1,815,749
Nov. 6	4,413,863	3,761,961	+17.3	3.368,690	1,520,730	1,798,164
Nov. 13	4,482,665	3,775,878	+18.7	3.347,893	1,531,584	1,793,584
Nov. 20	4,513,299	3,795,361	+18.9	3.247,938	1,475,268	1,818,169
Nov. 27	4.403,342	3,766,381	+16.9	3,339,364	1,510,337	1,718,002
Dec. 4	4,560,158	3,883,534	+17.4	3,414,844	1,518,922	1,806,225
Dec. 11	4,566,905	3,937,524	+16.0	3,475,919	1,563,384	1,840,863

Steel Operations Unchanged—Total Order Volume Still Good—War Needs Are Adjusted

"Instead of clarifying uncertainties troubling many industrialists, the numerous official statements issued recently covering war production seem to have increased confusion over the future pattern," says "The Iron Age" in its issue of today (Dec. 16), further adding: "One development clearly to be seen this week, however, is the increasing importance of labor's attitude in regard to the tapering of production.

"A snag, and possible temporary stumbling block, in the initial stages of meetings between some steel companies and the United Steel Workers of America early this week was the question of contract extension in case no decision is reached within the required number of days. The union was insisting that if no decision was reached, any extension agreed upon between the steel companies and the union should include provision for a retroactive date, covering any wage increase which might subsequently be granted, either by the company or the WLB. Steel companies, it is understood, were opposed to a retroactive date, but not to an extension because any price increase to offset rising costs, already encountered, plus any wage increases to be granted, would not be approved by the OPA in time to meet a retroactive wage increase.

"The union planned to petition the WLB for a continuation of its present contracts, in case no decision is reached by the time called for in the contracts, and is asking that such extension be accompanied by an agreement that wage increases be retroactive to the date on which present contracts would have terminated had there been no agreement or extension.

"Mr. Murray's statement concerning the need for removing restrictions upon civilian steel, issued on the eve of negotiations for higher steel wages, have no recognition to the steel price factor. High cost and marginal plants, sustained for months by heavy demand and above-ceiling prices granted these individual mills, face difficulties now. Consumers are reluctant to pay higher prices when material can be obtained elsewhere.

"In steel, total order volume still is good, but the product mix definitely is different than it was a few months ago.

"The steel industry is seeing the paradox of large naval and army cancellations. on one hand, while frenzied activity is occuring on specific items that are wanted immediately for certain rush projects. Plates, sheets, pipe and component parts for the expedited landing craft program are in great demand. But with certain other steel products less tight and with lend-lease requirements down, the national ingot rate still is below the 100% mark. The 30,000 new, all-steel freight cars which WPB has announced will be produced in 1944 will require approximately 450,000 tons of steel. Many of the cars already have been allocated among builders.

"Redistribution of idle and excess steel stocks, formerly the bailiwick of SRC but currently being handled through regional WPB offices, is reflecting a growing consciousness on the part of holders of large steel inventories toward early liquidation of over supplies. This is working to the advantage of some civilian product manufacturers and is aiding many class B producers in filling out allocation. Stocks throughout the country vary widely with areas reporting as low as 25,000 tons and up to the Cleveland district's 200,000 tons on list."

The American Iron and Steel Institute on Dec. 13 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 99.3% of capacity for the week beginning Dec. 13, the same as one week ago, and compares with 97.8% one month ago and 98.4% one year ago.

This week's operating rate is equivalent to 1.730,700 tons of steel ingots and castings, compared to 1,704,600 tons one month ago and 1,683,300 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Dec. 13 stated, in part as follows:

"Despite stiffening demand in some products the overall trend in steel buying continues to ease slightly, current orders are less and ingot production shows signs of tapering over the next few weeks.

"For the longer view War Production Board predicts that war requirements in 1944 will exceed even those of this year, with special emphasis on ships, trucks. airplanes and oil refinery equipment as well as auxiliary types of ordnance.

"Curtailment in light arms and ammunition, lend-lease program, tanks and machine tools have contributed to a leveling off in demand, leading to cancellations and creation of excess stocks at various plants. As a result the disposition of steel buyers at the moment is to continue to trim inventories and to buy no further ahead than absolutely necessary.

"Washington has made definite efforts to stem the belief that the European war is near its close. At the same time war production emphasis is tending in the direction of Pacific war needs. Heavy pressure is noted for landing barges, which call for plates, heavy sheets and structural shapes, the latter market being greatly stimulated.

"Plates have not been affected by the general easing and November shipments are reported by WPB at 1,141,140 tons, compared with 1,146,845 tons in October, a loss more than accounted for by the shorter month.

"While demand for sheets is heavy, recent cutbacks and cancellations have left producers uncertain as to their delivery position and until WPB authorizes filling gaps in schedules they can not promise definite delivery dates. Some offer tentatively April and May on both hot and cold-rolled while others offer later dates.

"Final figures on Lake Superior iron ore for the 1943 season show shipments of 84,404,852 gross tons, which is 7,671,929 tons, 8.33%, less than the 1942 record. December movement totaled 749,512 tons, an increase of 113,683 tons over December, last year.

"Scrap is easier in spite of relatively small winter reserves and melters are not concerned over the situation."

OPA Suspension Order Upheld By Fed. Court

A decision upholding the right of the Office of Price Administration to issue "suspension orders" against dealers who violate the rationing regulations was handed down on Dec. 9 by Federal Judge Simon H. Rifkind in the New York District Court. The opinion noted that in previous rulings on the same subject two judges in other Federal jurisdictions had taken the opposite view and nullified suspension orders, while a third had upheld one. We quote from the New York "Times" of Dec. 10 which further stated:

The case decided by Judge Rifkind was that in which Michael Panteleo, trading as the Parkside Service Station in the Bronx, moved for an injunction against carrying out of an OPA order directing him to sell no gasoline for a 30-day suspension period. Denying this motion, Judge Rifkind wrote:

"I have no doubt that the power to allocate a ration must necessarily include the power to withhold or refuse an allocation. Were the suspension order called a reduction of ration, it would more clearly appear that it was an inevitable incident of rationing. Every ration board in the country withholds that which it does not grant. The mere fact that the Office of Price Administration has surrounded suspension orders with the terminology, procedure and form of quasi-judicial proceedings does not change their inherent character."

Turkish Envoy To Ottawa

An agreement with the Turkish Government for the establishment of a Turkish legation in Ottawa was recently announced by W. L. Mackenzie King, Canadian Prime Minister. Mehmet Ali Sevki Alhan, Minister in the Turkish Embassy at Washington, will be the first Turkish Minister here, Mr. King said.

Distribution Of Mutual Savings Bank Fund

A dividend in distribution of the New York State Mutual Savings Bank Fund in the amount of $37,695,000 is now being made to all participating banks, according to an announcement Dec. 13 by August Ihlefeld, President of Savings Bank Trust Co., which is the trustee of the Fund. This distribution amounts to 59½% of the total resources of the Fund and was approved by the directors of the trust company at their meeting on Dec. 10. The advices in the matter also stated:

"The Mutual Savings Bank Fund was created by the Savings Banks of New York State in 1934 as the agency for the insurance in full of their deposits. All but two of the savings banks in the State became members and the original fund of $18,000,000 grew to slightly in excess of $63,000,000 as a result of annual contributions from member banks and earnings on assets.

"From time to time in recent years certain savings banks decided to avail themselves of the insurance provided by the Federal Deposit Insurance Corporation, and in July of this year, the 121 savings banks still insured by the Mutual Savings Bank Fund voted in concert to join the FDIC. Shortly thereafter liquidation of the Fund was voted since it was no longer required as an insuring instrument.

"During the period of active operation of the Fund total contributions to it by the savings banks amounted to approximately $55,000,000 and in the same period an earned surplus of over $8,000,000 was accumulated. The distribution of $37,695,000 now leaves approximately $25,000,000 in resources which it is expected will also be distributed to the participating savings banks from time to time as the remaining assets are liquidated."

The admission of the mutual savings banks to the FDIC was reported in these columns July 8, page 119.

Texas Court Clears Thomas Of CIO

R. J. Thomas, President of the United Automobile Workers (CIO), was acquitted on Nov. 30 in a Houston (Tex.) court on a charge of violating the Texas labor union law.

Judge Allie Peyton ruled Mr. Thomas innocent after Kellis Daniel, Assistant District Attorney, admitted a variation between the State's complaint and its evidence.

In reporting this, Associated Press Houston advices further said:

The court also acquitted John Crossland, sub-regional director of the Congress of Industrial Organizations, who was similarly charged. On November 29, C. M. Massengale, assistant to the national director of the Oil Workers Organizing Campaign, was found innocent.

The court's action hinged on the technicality that the defendants were soliciting members for a union other than their own. Arthur Mandell, defense attorney, cited sections in the State act which set forth that it would apply only if a person received compensation for obtaining members to his union. He contended that the defendants were not paid by the Oil Workers International Union but by the Oil Workers Organizing Committee.

The allegations in Mr. Thomas' case were referred to in these columns of Sept. 30, page 1305.

November Steel Output Lower

Production of steel in November declined from the October peak both in total tonnage and in rate of operations, according to the American Iron and Steel Institute, which added:

"During November, 7,356,828 net tons of ingots and steel for castings were produced, equivalent to 98.4% of the industry's capacity. In October, the record month to date, 7,819,061 tons were produced as the industry operated at 101.3% of capacity. In November a year ago output was 7,179,812 tons of steel, 97.8% of capacity.

"November steel production averaged 1,714,878 tons per week compared with 1,765,025 tons per week in October and 1,673,616 tons per week in November, 1942."

Treasury Calls 3¼% Bds.

Secretary of the Treasury Morgenthau announced on Dec. 13 that all outstanding 3¼% Treasury bonds of 1944-46 are called for redemption on April 15, 1944. Approximately $1,519,000,000 of these bonds are now outstanding.

The formal notice of call by Secretary Morgenthau was made available as follows to banks and trust companies in the New York Federal Reserve District by Allan Sproul of the Federal Reserve Bank:

"Three and one-quarter per cent Treasury bonds of 1944-46—notice of call for redemption.

"To Holders of 3¼% Treasury bonds of 1944-46, and Others Concerned:

"1. Public notice is hereby given that all outstanding 3¼% Treasury bonds of 1944-46, dated April 16, 1934, are hereby called for redemption on April 15, 1944, on which date interest on such bonds will cease.

"2. Holders of these bonds may, in advance of the redemption date, be offered the privilege of exchanging all or any part of their called bonds for other interest-bearing obligations of the United States, in which event public notice will hereafter be given and an official circular governing the exchange offering will be issued.

"3. Full informatoin regarding the presentation and surrender of the bonds for cash redemption under this call will be found in Department Circular No. 666, dated July 21, 1941."

Elected Directors Of Richmond Reserve Bank

The Federal Reserve Bank of Richmond announces the election of Harry L. Rust, President of the Washington realty firm of H. L. Rust Co., as a Class B Director in Group 3 of the Fifth Reserve District. Mr. Rust succeeds John H. Hanna, Chairman of the Board of the Capital Transit Co., who had served as a Director for ten years and was not a candidate for reelection.

The Richmond Reserve Bank also announces the reelection of James C. Braswell, President of the Planters National Bank & Trust Co., Rocky Mount, N. C., as a Class A Director by banks in Group 2.

Argentine and Paraguay Sign Trade Treaty

The signing of a trade treaty between Argentina and Paraguay was recently announced in Buenos Aires. It is reported that the treaty was approved with the intention of eventually concluding a customs union which is understood to be open to all South American countries.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Dec. 14	119.54	110.34	118.00	115.63	110.52	98.73	102.96	113.12	115.63
13	119.56	110.52	118.20	115.63	110.52	98.88	102.96	113.12	115.82
11	119.57	110.52	118.20	115.63	110.70	98.73	103.13	113.12	115.63
10	119.57	110.52	118.20	115.63	110.70	98.73	102.96	113.12	115.63
9	119.59	110.52	118.20	115.63	110.70	98.73	103.13	113.12	115.63
8	119.62	110.52	118.20	115.63	110.70	98.73	103.13	113.12	115.63
7	119.62	110.34	118.20	115.63	110.70	98.57	102.98	113.12	115.63
6	119.63	110.34	118.20	115.63	110.70	98.57	103.13	113.12	115.63
4	119.63	110.34	118.20	115.43	110.70	98.57	102.96	113.12	115.63
3	119.63	110.34	118.20	115.43	110.70	98.57	102.96	113.12	115.63
2	119.63	110.34	118.20	115.43	110.52	98.57	102.96	113.12	115.63
1	119.59	110.34	118.40	115.43	110.70	98.57	102.96	113.12	115.63
Nov. 26	119.72	110.52	118.40	115.63	110.88	98.73	102.96	113.31	115.82
19	119.64	110.70	118.80	116.02	111.07	98.73	103.13	113.50	116.02
12	119.91	110.70	118.80	116.22	111.07	98.57	103.30	113.70	116.02
5	119.99	111.07	119.00	116.61	111.25	98.73	103.30	113.70	116.61
Oct. 29	120.27	111.07	119.00	116.61	111.25	99.04	103.30	113.89	116.61
22	120.33	111.07	119.00	116.61	111.44	99.04	103.30	113.89	116.61
15	120.28	111.07	119.20	116.61	111.25	99.04	103.30	113.89	116.61
8	120.57	110.88	119.00	116.41	111.25	98.73	103.13	113.89	116.41
1	120.62	110.88	119.00	116.22	111.07	98.73	103.13	113.89	116.22
Sept. 24	120.55	111.07	119.00	116.41	111.25	98.88	103.30	113.89	116.41
Aug. 27	120.34	111.25	119.20	116.80	111.44	98.88	103.13	112.89	117.20
July 30	120.18	111.44	119.41	117.00	111.62	99.04	103.30	114.08	117.20
Jun 25	120.41	110.70	118.80	116.22	111.07	98.09	102.46	113.70	116.61
May 28	119.82	110.34	118.20	115.82	110.88	97.78	102.30	131.31	115.82
Apr. 30	118.36	109.79	118.00	115.43	110.34	97.00	101.31	113.12	115.63
Mar. 26	116.93	109.60	117.80	115.43	110.52	96.23	100.65	113.12	115.63
Feb 26	117.11	109.24	117.60	115.43	110.15	95.47	100.00	112.93	115.43
Jan. 29	117.04	108.70	117.60	115.04	109.79	94.56	99.04	112.56	115.43
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
1 Year ago Dec. 14, 1942	116.78	107.09	116.80	113.70	108.88	91.62	96.54	111.81	114.27
2 Years ago Dec. 13, 1941	118.13	106.39	116.80	113.70	107.98	90.06	95.92	110.52	113.89

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups R. R.	P. U.	Indus.
Dec. 14	1.87	3.15	2.75	2.87	3.14	3.83	3.57	3.00	2.87
13	1.87	3.14	2.74	2.87	3.14	3.82	3.57	3.00	2.86
11	1.87	3.14	2.74	2.87	3.13	3.83	3.56	3.00	2.87
10	1.87	3.14	2.74	2.87	3.13	3.83	3.57	3.00	2.87
9	1.87	3.14	2.74	2.87	3.13	3.83	3.56	3.00	2.87
8	1.86	3.14	2.74	2.87	3.13	3.83	3.56	3.00	2.87
7	1.86	3.15	2.74	2.87	3.13	3.84	3.57	3.00	2.87
6	1.86	3.15	2.74	2.87	3.13	3.84	3.56	3.00	2.87
4	1.86	3.15	2.74	2.88	3.13	3.84	3.57	3.00	2.87
3	1.86	3.15	2.74	2.88	3.13	3.84	3.57	3.00	2.87
2	1.86	3.15	2.74	2.88	3.14	3.84	3.57	3.00	2.87
1	1.87	3.15	2.73	2.88	3.13	3.84	3.57	3.00	2.87
Nov. 26	1.86	3.14	2.73	2.87	3.12	3.83	3.57	2.99	2.86
19	1.87	3.13	2.71	2.85	3.11	3.83	3.56	2.98	2.85
12	1.84	3.13	2.71	2.84	3.11	3.84	3.55	2.97	2.85
5	1.84	3.11	2.70	2.82	3.10	3.83	3.55	2.97	2.82
Oct. 29	1.82	3.11	2.70	2.82	3.10	381	3.56	2.96	2.82
22	1.81	3.11	2.70	2.82	3.09	3.81	3.55	2.96	2.82
15	1.82	3.11	2.69	2.82	3.10	3.81	3.55	2.96	2.82
8	1.80	3.12	2.70	2.83	3.10	3.83	3.56	2.96	2.83
1	1.80	3.12	2.70	2.84	3.11	3.83	3.56	2.96	2.84
Sept. 24	1.80	3.11	2.70	2.83	3.10	3.82	3.55	2.96	2.83
Aug. 27	1.83	3.10	2.69	2.81	3.09	3.82	3.56	2.96	2.79
July 30	1.84	3.09	2.68	2.80	3.08	3.81	3.55	2.95	2.79
Jun 25	1.82	3.13	2.71	2.84	3.11	3.87	3.60	2.97	2.82
May 28	1.88	3.15	2.74	2.86	3.12	3.89	3.61	2.99	2.86
Apr. 30	1.98	3.18	2.75	2.88	3.15	3.94	3.67	3.00	2.87
Mar. 26	2.08	3.19	2.76	2.88	3.14	3.99	3.71	3.00	2.87
Feb 26	2.06	3.21	2.77	2.88	3.16	4.04	3.75	3.01	2.88
Jan. 29	2.06	3.24	2.77	2.90	3.18	4.10	3.81	3.03	2.88
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
1 Year ago Dec. 14, 1942	2.09	3.33	2.81	2.97	3.23	4.30	3.97	3.07	2.94
2 Years ago Dec. 13, 1941	1.97	3.37	2.81	2.97	3.28	4.41	4.01	3.14	2.96

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Moody's Common Stock Yields

Yearly average yields in the years 1929 to 1941 inclusive and monthly average yields for 1941 will be found on page 2218 of the June 11, 1942 issue of the "Chronicle."

MOODY'S WEIGHTED AVERAGE YIELD ON 200 COMMON STOCKS

	Industrials (125)	Railroads (25)	Utilities (25)	Banks (15)	Insurance (10)	Average Yield (200)
October, 1942	5.5	7.0	7.2	5.0	4.4	5.8
November, 1942	5.5	8.0	7.1	5.2	4.5	5.9
December, 1942	5.3	8.6	7.2	5.0	4.2	5.7
January, 1943	5.0	7.9	6.8	4.5	4.1	5.4
February, 1943	4.7	7.3	6.3	4.4	4.1	5.1
March, 1943	4.5	6.8	6.2	4.0	3.9	4.8
April, 1943	4.5	6.6	5.8	4.1	3.9	4.8
May, 1943	4.3	6.2	5.5	4.0	3.8	4.6
June, 1943	4.2	6.4	5.4	3.9	3.8	4.5
July, 1943	4.5	6.8	5.5	4.1	3.9	4.7
Aug. 1943	4.4	6.6	5.5	4.0	3.8	4.7
Sept. 1943	4.3	6.5	5.5	4.0	3.7	4.6
Oct., 1943	4.5	6.6	5.5	4.0	3.7	4.7
Nov., 1943	4.9	7.8	5.7	4.0	4.0	5.1

Money In Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the moneys held in the United States Treasury and by Federal Reserve Banks and agents. The figures this time are for Oct. 31, 1943 and show that the money in circulation at that date (including, of course, that held in bank vaults of member banks of the Federal Reserve System) was $19,250,318,310, as against $18,844,446,730, on Sept. 30, and $14,210,452,014 on Oct. 31, 1942 and compares with $5,698,214,612 on Oct. 31, 1920, just before the outbreak of the first World War, that is on June 30, 1914, the total was $3,459,434,174.

Trading On New York Exchanges

The Securities and Exchange Commission has made public figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the weeks ended Nov. 20 and 27, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Nov. 27 (in round-lot transactions) totaled 915,590 shares, which amount was 15.35% of the total transactions on the Exchange of 2,983,260 shares. This compares with member trading during the week ended Nov. 20 of 1,597,035 shares or 18.06% of total trading of 4,420,140 shares. On the New York Curb Exchange member trading during the week ended Nov. 27 amounted to 199,965 shares, or 13.47% of the total volume of that Exchange of 742,075 shares; during the Nov. 20 week trading for the account of Curb members of 336,405 shares was 14.89% of total trading of 1,129,840 shares.

The SEC has also issued revised figures covering the week ended Nov. 13 (which appeared in our issue of Dec. 2, page 2240). Under the numeral 1—transactions of specialists in stocks in which they are registered—total purchases are revised to 559,170; short sales, 76,810; other sales, 521,870; total sales, 598,680 and the percentage to 9.02. In No. 4 of the compilation—total purchases are 953,420; short sales, 113,510; other sales, 945,046; total sales, 1,058,556, and the percentage, 15.68%.

Following are the figures for the weeks ended Nov. 20 and 27:

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

	Total for Week 11/27/43	†%	Total for Week 11/20/43	†%
A. Total Round-Lot Sales:				
Short sales	94,720		166,220	
‡Other sales	2,888,540		4,253,920	
Total sales	2,983,260		4,420,140	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:				
1. Transactions of specialists in stocks in which they are registered—				
Total purchases	235,010		402,690	
Short sales	50,300		67,790	
‡Other sales	224,940		319,530	
Total sales	275,240	8.55	387,320	8.94
2. Other transactions initiated on the floor—				
Total purchases	129,380		281,410	
Short sales	10,100		35,550	
‡Other sales	120,440		246,610	
Total sales	130,540	4.36	282,160	6.37
3. Other transactions initiated off the floor—				
Total purchases	71,710		109,424	
Short sales	5,400		6,950	
‡Other sales	68,310		127,079	
Total sales	73,710	2.44	134,029	2.75
4. Total—				
Total purchases	436,100		793,526	
Short sales	65,800		110,290	
‡Other sales	413,690		693,219	
Total sales	479,490	15.35	803,509	18.06

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

	Total for Week 11/27/43	†%	Total for Week 11/20/43	†%
A. Total Round-Lot Sales:				
Short sales	5,410		7,890	
‡Other sales	736,665		1,121,950	
Total sales	742,075		1,129,840	
B. Round-Lot Transactions for the Account of Members:				
1. Transactions of specialists in stocks in which they are registered—				
Total purchases	53,950		87,175	
Short sales	2,560		5,645	
‡Other sales	63,070		84,920	
Total sales	65,630	8.06	90,565	7.87
2. Other transactions initiated on the floor—				
Total purchases	16,180		55,390	
Short sales	700		1,100	
‡Other sales	19,870		40,900	
Total sales	20.570	2.47	42,000	4.31
3. Other transactions initiated off the floor—				
Total purchases	19,085		31,080	
Short sales	----		100	
‡Other sales	24,550		30,095	
Total sales	24,550	2.94	30,195	2.71
4. Total—				
Total purchases	89,215		173,645	
Short sales	3,260		6,845	
‡Other sales	107,490		155,915	
Total sales	110,750	13.47	162,760	14.89
C. Odd-Lot Transactions for the Account of Specialists—				
Customers' short sales	----		80	
§Customers' other sales	30,598		43,628	
Total purchases	30,598		43,708	
Total sales	21,592		33,484	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wardwell to Join Intl. Statistical Bureau

Dr. Charles A. R. Wardwell, Chief of the Current Business Analysis Unit of the U. S. Department of Commerce, has resigned and will join the International Statistical Bureau, Inc., as director of economic research, it was announced by A. W. Zelomek, President of the Bureau. Prior to his association with the Department of Commerce, Dr. Wardwell was economic advisor to Sheridan, Farwell & Morrison, investment counsellors, of Chicago. He was also Associate Professor of Statistics and Finance at Northwestern University. Previously he was Assistant Professor of Finance at the Wharton School of Finance and Commerce of the University of Pennsylvania. Dr. Wardwell will assist Dr. Robert C. Shook, Vice-President and Director of Research of the Bureau.

Result Of Treasury Bill Offerings

Secretary of the Treasury Morgenthau announced on Dec. 13 that the tenders for $1,000,000,000 of 91-day Treasury bills to be dated Dec. 16, 1943, and to mature March 16, 1944, which were offered on Dec. 10, were opened at the Federal Reserve Banks on Dec. 13.

Details of the bidding follow:

Total applied for—$1,814,954,000.

Total accepted — $1,000,179,000 (including $65,767,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price—99.905+. Equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High—99.925. Equivalent rate of discount approximately 0.297% per annum.

Low—99.905. Equivalent rate of discount approximately 0.376% per annum.

(46% of the amount bid for at the low price was accepted).

There was a maturity of a similar issue of bills on Dec. 16 in amount of $1,008,639,000.

With respect to the previous week's $1,000,000,000 offering of bills, dated Dec. 9 and maturing March 9, 1944, the Treasury gave the following details on Dec. 6:

Total applied for—$1,694,400,000.

Total accepted—$1,011,452,000.

(Includes $63,887,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price—99.905. Equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High—99.910. Equivalent rate of discount approximately 0.356% per annum.

Low—99.905. Equivalent rate of discount approximately 0.376% per annum.

(52% of the amount bid for at the low price was accepted).

There was a maturity of a similar issue of bills on Dec. 9 in amount of $1,004,917,000.

Nov. Rayon Shipments

Shipments of rayon filament yarn to domestic consumers in November totaled 42,800,000 pounds, states the Dec. 9 issue of the "Rayon Organon," published by the Textile Economics Bureau, Inc., New York. This compares with 43,900,000 pounds in October and 38,800,000 pounds in November, 1942. Eleven months' deliveries totaled 450,900,000 pounds, an increase of 5% over the 427,800,000 pounds shipped during the corresponding period last year.

The announcement also said:

"November rayon staple fiber shipments totaled 13,900,000 pounds against 13,900,000 pounds in October and 12,400,000 pounds in November a year ago. Eleven months' shipments totaled 147,500,000 pounds against 138,600,000 pounds in the comparable period last year, an increase of 6%.

"Stocks of filament yarn in producers hands were 7,000,000 pounds on Nov. 30, against 7,600,000 pounds on Oct. 31, and 8,100,000 pounds on Nov. 30, 1942. Staple fiber stocks held by producers on Nov. 30 totaled 2,600,000 pounds against 2,500,000 pounds on Oct. 31 and 4,400,000 pounds on Nov. 30, 1942."

Moody's Daily Commodity Index

Tuesday, Dec. 7	246.7
Wednesday, Dec. 8	246.5
Thursday, Dec. 9	246.0
Friday, Dec. 10	246.5
Saturday, Dec. 11	247.1
Monday, Dec. 13	247.3
Tuesday, Dec. 14	247.2
Two weeks ago, Nov. 30	244.2
Month ago, Nov. 13	243.4
Year ago, Dec. 14	236.0
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, April 1	249.8
Low, Jan. 2	240.2

Changes In Holdings Of Reacquired Stock Of N. Y. Stock & Curb Listed Firms

The monthly compilation of companies listed on the New York Stock Exchange reporting changes in their holdings of reacquired stock was made available on Nov. 16. Following is the tabulation issued by the Stock Exchange:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report	
Allegheny Ludlum Steel Corp., common	446	2,546	
American-Hawaiian Steamship Co., capital	75,700	76,600	
American Ice Co., preferred	35,200	36,000	
Associates Investment Co., common	39,032	39,525	
Atlas Corp., common	4,928	14,035	
Barker Bros., 5½% cum. pfd.	12,519	13,226	
Barnsdall Oil Co., common	35,200	35,224	
Belding Heminway Co., common	57,532	58,032	
Borden Co. (The)	53,567	78,158	
Case (J. I.) Co., preferred	114	----	
Century Ribbon Mills, Inc., preferred	116	156	
Crucible Steel Co. of America, 5% conv. pfd.	3,300	4,100	
Fruehauf Trailer Co., common	1,348	1,548	
5% convertible preferred	70	170	
General Motors Corp., common	44,918	837,924	
Gimbel Brothers, $6 cum. preferred	6,111	6,911	
Interstate Department Stores, Inc., preferred	5,706	6,121	
Jones & Laughlin Steel Corp., common	----	----	(1)
5% cumulative preferred A	----	----	(1)
5% cumulative preferred B	----	----	(1)
Lehman Corp. (The), common	8,500	9,400	
Madison Square Garden Corp., common	26,400	26,700	
Mead Corp. (The), $6 preferred "A"	100	140	
$5.50 preferred "B"	2,947	3,067	
Nash-Kelvinator Corp., capital	84,410	84,411	
National Cylinder Gas Co., common	6,812	7,312	
National Department Stores Corp., 6% preferred	3,545	4,145	
National Steel Corp., capital	2,155	1,955	(2)
Newport News Shipbuilding and Dry Dock Co.— $5 cumulative convertible preferred	17,900	19,200	
Norfolk and Western Railway Co., adjustment pfd.	6,962	7,162	
Oliver Farm Equipment Co., common	1,090	2,590	
Pittston Co. (The), class A pref.	880	1,495	
Plymouth Oil Co., capital	8,284	9,184	
Radio-Keith-Orpheum Corp., 6% preferred	4,000	5,190	
Real Silk Hosiery Mills, Inc., preferred	6,575	6,075	
Rustless Iron and Steel Corp., common	5	6	
Sheaffer (W. A.) Pen Co., common	2,749	2,748	(3)
Sinclair Oil Corp., common	330,922.05	339,838.15	
Transamerica Corp., capital	1,209,031	1,210,992	
Twentieth Century-Fox Film Corp., preferred	50,763	52,931	
Virginia Iron Coal and Coke Co., preferred	4,112	4,192	
White (The S. S.) Dental Mfg. Co., capital	1,462	1,442	
Willys-Overland Motors, Inc., 6% cum. conv. pfd.	66,395	75,895	

NOTES

(1) Acquired and disposed of during the month of October: 10 shares of common, 2 shares of 5% preferred A, and 2 shares of 5% preferred B.

(2) Disposed of 200.

(3) Acquired 19, disposed of 20.

The New York Curb Exchange has issued the following list of issuers of fully listed securities which have reported changes in their holdings of reacquired stock:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
Air Investors, Inc., convertible preference	2,118	2,495
American General Corp., common	366,158	374,062
Cooper-Bessemer Corp., $3 prior preference	3,045	None
Crown Central Petroleum Corp., common	591	592
Dennison Manufacturing Co., A common	8,680	9,754
Equity Corp., $3 convertible preferred	52,073	52,298
Esquire, Inc., capital	17,163	19,663
Hearn Department Stores, Inc., 6% preferred	23,944	24,164
Klein (D. Emil) Co., Inc., common	17,769	17,969
Knott Corporation, common	10,004	10,104
Ludwig Baumann & Co., 7% 1st preferred	1,380	6,000
Midland Oil Corp., $2 convertible preference	10,115	10,315
Mock, Judson, Voehringer Co., Inc., common	16,767	16,867
New Process Company, common	282	182
Selected Industries, Inc., $5.50 div. pr. stock	None	500
United Cigar-Whelan Stores Corp., common	12,193	12,203
United Wall Paper Factories, Inc., common	42,150	17,000
Utility Equities Corp., $5.50 div. pr. stock	10,500	10,700

Cotton Ginned from Crop of 1943 Prior to Dec. 1

The census report issued on Dec. 8, compiled from the individual returns of the ginners is shown below:

Number of bales of cotton ginned from the growth of 1943 prior to Dec. 1, 1943, and comparative statistics to the corresponding date in 1942 and 1941.

RUNNING BALES

(Counting round as half bales and excluding linters)

State—	1943	1942	1941
United States	*10,559,989	*11,534,702	*9,592,229
Alabama	921,233	885,162	769,332
Arizona	69,021	80,072	107,787
Arkansas	1,041,377	1,350,094	1,351,186
California	213,252	199,942	242,207
Florida	14,111	14,437	14,663
Georgia	827,570	840,460	626,747
Illinois	1,869	3,749	5,362
Kentucky	10,456	14,271	16,678
Louisiana	696,455	570,478	309,017
Mississippi	1,737,722	1,867,606	1,379,118
Missouri	271,749	381,089	459,155
New Mexico	78,831	79,224	63,613
North Carolina	585,489	673,291	556,520
Oklahoma	351,470	623,998	561,367
South Carolina	676,100	681,229	398,198
Tennessee	462,146	574,448	565,451
Texas	2,583,179	2,671,649	2,143,224
Virginia	17,959	23,503	22,604

*Includes 107,053 bales of the crop of 1943 ginned prior to Aug. 1 which was counted in the supply for the season for 1942-43, compared with 48,626 and 1,969 bales of the crops of 1942 and 1941.

The statistics in this report include no round bales for 1943; none for 1942 and 846 for 1941. Included in the above are 40,194 bales of American-Egyptian for 1943; 39,423 for 1942 and 35,823 for 1941; also 269 bales Sea-Island for 1943; 712 for 1942 and 3,087 for 1941.

The statistics for 1943 in this report are subject to revision when checked against the individual returns of the ginners being transmitted by mail. The revised total of cotton ginned this season prior to Nov. 14 is 9,930,308 bales.

Consumption and Stocks — United States

Cotton consumed during the month of October, 1943, amounted to 846,209 bales. Cotton on hand in consuming establishments Oct. 31, was 2,203,829 bales, and in public storages and at compresses 12,264,332 bales. The number of active consuming cotton spindles for the month was 22,599,426.

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

World Statistics

Because of War conditions and the difficulties in obtaining dependable world statistics such data are being omitted from this report for the time being.

Market Value Of Stocks On New York Stock Exchange Lower On Nov. 30

The New York Stock Exchange announced on Dec. 7 that as of the close of business Nov. 30, there were 1,235 stock issues aggregating 1,486,877,195 shares listed on the New York Stock Exchange, with a total market value of $45,101,778,943. This compares with 1,235, stock issues aggregating 1,485,248,610 shares, with a total market value of $48,178,040,869 on Oct. 30 and with 1,242 stock issues, aggregating 1,470,976,125 shares, with a total market value of $37,374,462,460 on Nov. 30, 1942.

In making public the figures, the Stock Exchange further reported:

"As of the close of business Nov. 30, New York Stock Exchange member total net borrowings amounted to $718,198,581 of which $448,400,805 represented loans which were not collateralized by U. S. Government issues. The ratio of the latter borrowings to the market value of all listed stocks, on that date, was, therefore, 0.99%. As the loans not collateralized by U. S. Government issues include all other types of member borrowings, these ratios will ordinarily exceed the precise relationship between borrowings on listed shares and their total market value."

In the following table listed stocks are classified by leading industrial groups with the aggregate market value and average price for each:

	Nov. 30, 1943		Oct. 30, 1943	
	Market Value $	Av. Price $	Market Value $	Av. Price $
Amusement	457,990,591	19.77	506,443,522	21.86
Automobile	3,663,731,068	30.39	3,903,097,902	32.38
Aviation	532,645,161	15.08	615,256,317	17.95
Building	518,097,375	24.95	556,838,588	26.90
Business and Office Equipment	373,522,260	31.67	400,908,611	33.99
Chemical	5,701,520,532	60.18	5,985,537,265	63.23
Electrical Equipment	1,515,844,224	37.06	1,599,961,477	39.12
Farm Machinery	713,393,492	54.46	756,777,160	57.78
Financial	900,036,595	18.03	965,672,157	19.34
Food	2,963,335,731	35.40	3,111,576,820	37.17
Garment	42,106,264	25.18	45,259,220	27.07
Land & Realty	26,902,347	5.53	28,998,621	5.96
Leather	229,651,235	27.24	231,154,936	27.42
Machinery & Metals	1,512,681,747	21.96	1,645,862,101	23.89
Mining (excluding iron)	1,293,088,481	21.64	1,388,722,650	23.59
Paper & Publishing	453,369,461	19.82	488,276,518	21.34
Petroleum	5,649,528,182	27.91	6,139,280,628	30.25
Railroad	3,349,981,675	29.72	3,670,616,747	32.56
Retail Merchandising	2,450,865,016	33.65	2,590,511,774	35.57
Rubber	516,869,990	48.88	560,926,146	53.05
Ship Building & Operating	87,046,237	15.78	100,669,523	18.25
Shipping Services	12,957,459	7.51	14,518,164	8.42
Steel, Iron & Coke	2,037,826,751	40.28	2,196,553,223	43.42
Textiles	454,175,676	31.96	481,937,663	33.91
Tobacco	1,144,167,337	42.02	1,225,717,804	45.02
Utilities:				
Gas & Electric (Operating)	2,136,973,809	20.73	2,258,793,895	21.91
Gas & Electric (Holding)	1,035,588,947	10.81	1,120,953,539	11.70
Communications	3,571,091,569	85.13	3,660,048,984	87.38
Miscellaneous Utilities	105,064,860	14.25	107,393,248	14.56
U. S. Cos. Operating Abroad	712,658,671	20.95	770,351,295	22.65
Foreign Companies	792,207,331	19.58	899,249,024	22.22
Miscellaneous Businesses	146,858,869	25.02	150,175,347	25.58
All Listed Stocks	45,101,778,943	30.33	48,178,040,869	32.44

We give below a two-year compilation of the total market value and the average price of stocks listed on the Exchange:

	Market Value $	Average Price $		Market Value $	Average Price $
1941—			1942—		
Oct. 31	39,057,023,174	26.66	Nov. 30	37,374,462,460	25.41
Nov. 29	37,882,316,239	25.87	Dec. 31	38,811,728,666	26.39
Dec. 31	35,785,946,533	24.46	1943—		
1942—			Jan. 30	41,410,585,043	28.16
Jan. 31	36,228,397,999	24.70	Feb. 27	43,533,661,753	29.61
Feb. 28	35,234,173,432	24.02	Mar. 31	45,845,738,377	31.20
Mar. 31	32,844,183,750	22.36	Apr. 30	46,192,361,639	31.45
Apr. 30	31,449,206,904	21.41	May 29	48,437,700,647	32.96
May 29	32,913,725,225	22.40	June 30	48,878,520,886	33.27
June 30	33,419,047,743	22.73	July 31	47,577,989,240	32.17
July 31	34,443,805,860	23.42	Aug. 31	47,710,472,858	32.04
Aug. 31	34,871,607,323	23.70	Sept. 30	48,711,451,018	32.82
Sept. 30	35,604,809,453	24.20	Oct. 30	48,178,040,869	32.44
Oct. 31	37,727,599,526	25.65	Nov. 30	45,101,778,943	30.33

October Truck Freight Volume 2.4% Over 1942

The volume of freight transported by motor carriers in October increased 2% over September and 2.4% over October, 1942, according to reports compiled and released on Dec. 6 by the American Trucking Associations, Inc.

Comparable reports were received by ATA from 409 motor carriers in 44 States and the District of Columbia. The reporting carriers transported an aggregate of 3,696,916 tons in October, as against 3,624,238 tons in September, and 3,610,601 tons in October, 1942.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 195.24. The September index was 193.72.

Approximately 70% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category increased 0.3% over September and 1.7% over October of last year.

Transporters of petroleum products, accounting for a litle more than 20% of the total tonnage reported, showed an increase of 5.1% over September and 5.8% over October, 1942.

Haulers of iron and steel products reported about 4½% of the total tonnage. The volume of these commodities increased 9.2% over September and 3.2% over October of last year.

Almost 5½% of the total tonnage reported was miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class showed an increase of 8 % over September, but decreased 1.3% under October, 1942.

Dec. 1 Cotton Report

A United States cotton crop of 11,478,000 bales of 500 pounds gross weight is forecast by the Crop Reporting Board of the United States Department of Agriculture based upon information as of Dec. 1. This is an increase of 36,000 bales from the forecast as of Nov. 1 and compares with 12,817,000 bales ginned in 1942 and 12,474,000 bales, the 10-year(1932-41) average. The indicated yield per acre for the United States, at 252.0 pounds, is 20.4 pounds below the 272.4 pounds produced in 1942 but 35.0 pounds above the 10-year average yield of 217.0 pounds.

The acreage of cotton in cultivation on July 1, 1943, is estimated at 22,151,000 acres. This acreage is 4.9% below the 23,302,000 acres planted in 1942. Acreage abandonment of the 1943 crop is estimated at 1.3% of the planted acreage, and acreage for harvest at 21,874,000 acres. Acreage abandonment of the 1942 crop, at 3.0% of the planted acreage made allowance for some acreage removed for compliance with the AAA program. Acreage destroyed for compliance purposes in 1943 was negligible.

The present estimate of cotton production for the United States is approximately 1,100,000 bales below that expected on Aug. 1, when the first forecast of the season was made. The crop got off to an unusually good start with stands much better than average and with weather sufficiently dry and hot to reduce the threat from weevils. Continued drought and excessive heat throughout August and early September, however, resulted in considerable deterioration of the crop, especially in Tennessee, Arkansas, Oklahoma, and Texas. Some further reduction occurred in the northern fringe of the Cotton Belt as the result of killing frosts during mid-October. The crop generally matured earlier than usual, and the amount still unpicked on Dec. 1 was less than average, except in the western irrigated States.

Production of American Egyptian cotton in 1943 is estimated at 68,300 bales on 145,900 acres for harvest. This compares with 75,300 bales and 180,700 acres harvested in 1942. The estimated yield per acre of the 225 pounds compares with 200 pounds produced in 1942.

Sea Island cotton production is estimated at only 300 bales, compared with 800 bales produced last year. Production of this crop has been sharply reduced during recent years.

ABA Membership Gains Totals 14,478 Banks

A total of 343 new members were added to the membership roll of the American Bankers Association between Sept. 1 and Nov. 30 of this year, it is announced by Robert L. Dominick, Chairman of the Association's Organization Committee, who is Vice-President of the Traders Gate City National Bank, Kansas City, Mo. The 343 new members constitute the largest gain in membership in a similar three-month period in more than a decade, and represent an increase of 120 banks over the number that joined in the same period of 1942, when 203 new members were added to the A.B.A.'s roster.

On Sept. 1, 1943, the Association's membership totaled 14,478 banks, or 89.16% of the total of banks eligible for membership.

The announcement states that in Louisiana and Idaho, where one new member was added in each state, the new members are new banks that opened for business recently, and their membership in the A.B.A. maintains the 100% A.B.A. membership record previously established in the two states.

Selected Income And Balance Sheet Items Class I Railways For September

The Bureau of Statistics of the Interstate Commerce Commission has issued a statement showing the aggregate totals of selected income and balance sheet items for class I steam railways in the United States for the month of September, 1943 and 1942, and the 9 months ending with September, 1943 and 1942.

These figures are subject to revision and were compiled from 132 reports representing 136 steam railways. The present statement excludes returns for class A switching and terminal companies. The report is as follows:

	All Class I Railways			
	For the Month of September		For the 9 Months of	
Income Items—	1943	1942	1943	1942
Net ry. operat. income	$110,235,193	$155,062,974	$1,073,142,989	$976,300,976
Other income	15,369,609	11,959,470	123,483,804	112,487,439
Total income	125,604,802	167,022,444	1,196,626,793	1,088,788,415
Miscellaneous deductions from income	2,691,268	4,417,086	22,197,822	24,162,778
Income available for fixed charges	122,913,534	162,605,358	1,174,428,971	1,064,625,637
Fixed charges:				
Rent for leased roads and equipment	14,490,151	17,598,338	130,072,117	134,816,618
*Interest deductions	35,409,450	36,894,311	324,740,448	332,636,036
Other deductions	130,126	119,113	1,113,091	1,060,684
Total fixed charges	50,029,727	54,611,762	455,925,656	468,513,338
Inc. after fixed charges	72,883,807	107,993,596	718,503,315	596,112,299
Contingent charges	2,905,992	2,310,324	21,059,231	20,272,633
†Net income	69,977,815	105,683,272	697,444,084	575,839,666
Depreciation (way and structures and equip.)	26,476,148	22,795,440	236,993,876	183,252,977
Amortization of defense projects	11,760,704	8,357,959	100,736,406	57,081,776
Federal income taxes	127,963,087	*88,315,417	1,073,657,058	549,124,373
Dividend appropriations:				
On common stock	9,348,745	7,178,586	95,765,200	81,845,993
On preferred stock	697,908	1,064,204	20,407,175	19,395,665
¶Ratio of income to fixed charges	2.46	2.98	2.58	2.27

	All Class I Railways		Class I Railways Not in Receivership or Trusteeship	
	Balance at end of September		Balance at end of September	
Selected Asset Items—	1943	1942	1943	1942
Investments in stocks, bonds, etc., other than those of affiliated companies	$570,651,166	$508,661,918	$543,185,016	$485,299,026
Cash	1,047,299,233	991,896,200	774,864,233	744,645,098
Temporary cash investments	1,637,944,586	443,671,303	1,219,083,560	386,751,633
Special deposits	173,037,839	147,878,309	132,073,753	105,304,660
Loans and bills receivable	246,611	998,003	243,485	946,907
Traffic and car-service balances (Dr.)	35,920,462	40,935,933	27,852,767	34,311,576
Net balance receivable from agents and conductors	171,071,317	141,689,523	135,506,433	115,754,371
Miscellaneous accounts receivable	634,758,511	385,020,067	505,729,190	308,719,032
Materials and supplies	529,546,132	522,560,019	424,521,657	418,562,093
Interest and dividends receivable	23,140,864	21,744,450	20,941,324	20,404,186
Rents receivable	1,632,066	1,261,223	1,251,720	939,193
Other current assets	54,093,972	13,619,410	39,973,063	9,847,386
Total current assets	4,308,691,593	2,711,274,445	3,283,041,245	2,146,186,135
Selected Liability Items—				
‡Funded debt maturing within six months	80,898,616	105,393,440	60,214,136	75,395,500
§Loans and bills payable	15,006,866	16,851,200	1,000,000	1,705,850
Traffic and car-service balances (Cr.)	152,433,570	105,351,625	105,573,925	70,309,109
Audited accounts and wages payable	384,013,838	318,302,370	312,103,810	255,969,257
Miscellaneous accounts payable	113,837,828	68,506,848	88,374,993	49,233,913
Interest matured unpaid	55,950,042	53,777,164	50,033,928	48,147,897
Dividends matured unpaid	15,154,565	13,647,535	14,812,492	13,299,612
Unmatured interest accrued	65,026,053	71,214,483	59,048,063	60,568,282
Unmatured dividends declared	7,475,602	9,756,703	7,475,602	9,756,703
Unmatured rents accrued	23,744,900	22,008,805	20,097,530	19,492,787
Accrued tax liability	1,614,126,419	838,614,159	1,384,788,240	765,937,062
Other current liabilities	73,720,908	59,799,382	49,095,049	46,732,199
Total current liabilities	2,520,490,591	1,577,830,274	2,092,403,632	1,341,152,671
Analysis of accrued tax liability:				
U. S. Government taxes	1,452,729,370	688,686,653	1,255,595,200	643,934,411
Other than U. S. Government taxes	161,397,049	149,927,506	129,193,040	122,002,651

*Represents accruals, including the amount in default. †For railways not in receivership or trusteeship the net income was as follows: September, 1943, $51,521,114; September, 1942, $84,651,037; for the nine months ended September, 1943, $534,686,545, nine months ended September, 1942, $464,903,476. ‡Includes payments of principal of long-term debt (other than long-term debt in default) which will become due within six months after close of month of report. ¶For railways in receivership and trusteeship the ratio was as follows: September, 1943, 2.47; September, 1942 2.67; nine months, 1943, 2.44; nine months, 1942, 2.02. §Includes obligations which mature not more than one year after date of issue.

The English Gold And Silver Markets

We print the following from the quarterly letter of Samuel Montagu & Co. of London, written under date of Oct. 1, 1943:

The amount of gold held in the Issue Department of the Bank of England during the months of July, August and September was unaltered at £241.718.

The Bank of England's buying price for gold remained unchanged at 168s/- per fine ounce, at which figure the above amount was calculated.

The gold output of the Transvaal for the months of June, July and August, 1943, are given below together with figures for the corresponding months of 1942 for the purpose of comparison:

	—1943—		—1942—
	Fine Ounces		Fine Ounces
June	1,064,572	June	1,199,569
July	1,089.708	July	1,220,154
August	1,059,932	August	1,182,437

Silver

During the past three months the London market presented no new features and the price of 23½d. for both cash and two months' delivery remained unaltered throughout the period. There was a steady absorption of silver by war industries and this demand continued to be met from official stocks.

In Bombay prices ranged between Rs.101.0.0 per 100 tolas on July 20 and Rs.123.12.0 on Sept. 25. The decline to the low level mentioned followed a new Defence of India rule under which the Central Government may prohibit or restrict the making of advances of money on the security of such commodities, including bullion, as may be specified in the order. As a measure of control of speculative operations, the Government of India announced on Aug. 5 that it had modified its definition of a forward contract in bullion so as to include any contract for delivery more than four days from the date of the contract; toward the end of September the period was further reduced to more than two days. Prior to the August announcement, forward delivery was defined for delivery more than 12 days after the date of the contract.

Recent news from America indicated that Mexico's silver coinage requirements of some 20,000,000 ounces would decrease correspondingly her exports of silver to the United States. As the latter badly needed this silver it was suggested instead that Mexico should release all her supplies to the United States war industries and meet coinage requirements under lease-lend terms from United States Treasury silver which under existing legislation could not be sold for industrial uses. It was reported subsequently, however, that the U. S. War Production Board had issued a regulation translating into practice the provisions of the Green Law, under which sales of Treasury silver may now be made for consuming purposes. The price fixed by the Green Law as the limit under which Treasury silver must not be sold is 71.11 cents per ounce .999 fine, the same as that paid by the Treasury for newly-mined domestic silver. To minimize the inequality between this price and the 45 cents per ounce for foreign silver, the Treasury has agreed to repurchase, on the basis of 71.11 cents, any of its former silver which may remain in the stocks of industrial users.

Quotations in London
(Bar Silver Per Ounce Standard)

	Cash Delivery	Two Months' Delivery
July, 1943	23½d. throughout	23½d. throughout
August, 1943	23½d. throughout	23½d. throughout
September, 1943	23½d. throughout	23½d. throughout

Quotations in the U. S. A. (per Ounce .999 Fine)

U. S. Treasury Price	New York Market Price
35¢	44¾¢

The official dollar rates fixed by the Bank of England during July, August and September, 1943, were as follows:

Buying	$4.03½
Selling	4.02½

Market Value Of Bonds On N. Y. Stock Exchange

As of the close of business Nov. 30, there were 1,098 bond issues aggregating $90,969,856,933 par value listed on the New York Stock Exchange with a total market value of $90,076,888,558, the Stock Exchange announced on Nov. 9. This compares with 1,108 bond issues, aggregating $91,003,711,823 par value, with a total market value of $90,501,768,934 on Oct. 30, 1943.

In the following table listed bonds are classified by governmental and industrial groups with the aggregate market value and average price for each:

	—Nov. 30, 1943—		—Oct. 30, 1943—	
Group—	Market Value $	Average Price $	Market Value $	Average Price $
U. S. Government (incl. N. Y. State, Cities, etc.)	73,949,210,192	103.32	74,060,153,318	103.55
U. S. companies:				
Automobile	10,596,509	100.42	10,751,252	101.88
Building	13,201,250	100.77	13,220,000	100.92
Business and office equipment	15,712,500	104.75	15,825,000	105.50
Chemical	47,094,000	102.16	49,207,188	102.84
Electrical equipment	36,281,250	103.66	36,450,000	104.14
Financial	54,708,777	103,16	56,891,945	103.33
Food	265,706,217	104.81	268,125,996	105.77
Land and realty	11,250,518	85.50	11,317,151	84.23
Machinery and metals	37,360,663	101.99	37,277,048	101.76
Mining (excluding iron)	89,279,644	62.23	91,991,417	64.12
Paper and publishing	38,887,317	103.26	40,154,288	102.79
Petroleum	588.944.574	103.63	592,179,791	104.20
Railroad	7,238,107,742	72.75	7,451,440,403	74.56
Retail merchandising	11,808,723	85.52	12,069,148	87.40
Rubber	70,663,295	102.90	71,154,941	103.62
Ship building and operating	12,059,940	105.13	11,859,180	103.38
Shipping services	21,725,313	80.91	22,018,185	81.75
Steel, iron and coke	483,231,098	101,57	489,246,607	102.02
Textiles	37,830,069	104.40	37,919,113	104.65
Tobacco	172,319,902	105.09	173,344,401	105.72
Utilities:				
Gas and electric (operating)	3,257,394,991	107.64	3,315,650,188	108.46
Gas and electric (holding)	59,180,000	105.68	59,660,000	106.54
Communications	1,215,304,854	109.47	1,229,371,340	110.65
Miscellaneous utilities	98,022,535	67.57	100,230,470	69.09
U. S. companies oper. abroad	138,456,348	77.00	137,345,280	76.37
Miscellaneous businesses	30,904,236	104.66	31,424,925	106.42
Total U. S. companies	14,056,032,265	85.09	14,366,125,257	86.52
Foreign government	1,332,839,530	64.94	1,330,999,257	64.85
Foreign companies	738,806,571	89.17	744,491,102	89.85
All listed bonds	90,076,888,558	99.02	90,501,768,934	99.45

The following table, compiled by us, gives a two-year comparison of the total market value and the total average price of bonds listed on the Exchange:

1941—	Market Value $	Average Price $	1942—	Market Value $	Average Price $
Oct. 31	55,106,635,894	95.25	Nov. 30	64.543.971.299	96.11
Nov. 29	54,812,793,945	94.80	Dec. 31	70,583,644,622	96.70
Dec. 31	55,033,616,312	94.50	1943—		
1942—			Jan. 30	71,038,674.932	97.47
Jan. 31	56,261,398,371	95.24	Feb. 27	71,346,452.852	97.79
Feb. 28	57,584,410,504	95.13	Mar. 31	71,575,183.604	98.24
Mar. 31	58.140.382.211	95.97	Apr. 30	71.857.596.488	98.69
Apr. 30	57.923.553.616	95.63	May 29	81,048,543,830	99.47
May 29	59.257.509.674	95.64	June 30	80.704.321.646	99.64
June 30	59.112,072.945	95.50	July 31	80,352,221,151	99.35
July 31	61.277,620.583	95.76	Aug. 31	80.109,269.964	99.23
Aug. 31	62.720.371.752	96.08	Sept. 30	80,149,558,292	99.37
Sept. 30	62,765.776.218	96.18	Oct. 30	90,501,768.934	99.45
Oct. 31	64.843.877,284	96.48	Nov. 30	90,076,888,558	99.02

National Bank Assets And Deposits Higher

The total assets of national banks on Oct. 18, 1943 amounted to more than $66,000,000,000, it was announced on Dec. 7 by Comptroller of the Currency Preston Delano. Returns from the call covered the 5,058 active national banks in the United States and possessions. The assets reported were greater by $7,000,000,000 than those reported by the 5,066 national banks on June 30, 1943, the date of the previous call, and an increase of $11,000,000,000 over the amount reported by the 5,087 active banks on Dec. 31, 1942.

The Comptroller's announcement further stated:

"The deposits of the national banks on Oct. 18, 1943, were nearly $62,000,000,000, an increase since June 30, 1943 of $7,000,000,000, and an increase since Dec. 31 last year of $11,000,000,000. Included in the current deposit figures are demand and time deposits of individuals, partnerships and corporations of $30,901,000,000 and $9,501,000,000, respectively, United States Government deposits, including War loan and Series E bond accounts of $10,847,000,000, deposits of States and political subdivisions of $2,600,000,000, postal savings of $6,000,000, deposits of banks of $7,314,000,000, and certified and cashiers' checks, cash letters of credit and travelers' checks outstanding of $614,000,000.

"Loans and discounts were $10,775,000,000, an increase of $1,585,000,000, or 17%, since June 30, 1943, and an increase of $575,000,000, or nearly 6%, since Dec. 31, 1942.

"Investments in United States Government obligations, direct and guaranteed, of $35,710,000,000, showed an increase of $5,519,000,000, or over 18%, since June 30, 1943, and an increase of $11,884,000,000, or nearly 50%, since December 1942. Other bonds, stocks and securities held of $3,397,000,000, which included obligations of States and political subdivisions of $1,984,000,000, decreased $142,000,000 since June and $261,000,000 since December last year.

"Cash of $813,000,000, balances with other banks, including cash items in process of collection, of $6,734,000,000, and reserves with Federal Reserve banks of $7,876,000,000, a total of $15,423,000,000, increased $196,000,000 since June but showed a decrease of $827,000,000 under the amount reported in December last year.

"The unimpaired captial stock of the banks on Oct. 18, 1943, was $1,496,000,000 including $132,000,000 of preferred stock. Surplus of $1,511,000,000, undivided profits of $636,000,000, and reserves of $275,000,000, a total of $2,422,000,000, increased $95,000,000 since June and $187,000,000 since December 1942.

"The percentage of loans and discounts to total deposits on Oct. 18, 1943, was 17.44, in comparison with 16.78 on June 30, 1943, and 20.14 on Dec. 31, 1942."

U. S. Gold Reserve Declines

Observing that the Nation's gold supply is declining at a $2,000,000-a-day rate—without worrying any one. Associated Press advices from Washington Dec. 1 added:

From an October, 1941, peak of $22,796,000,000, the Treasury's store of the yellow metal now stands at $22,064,000,000 with the prospect that it may dip below the $22,000,000,000 mark by year's end—but most of the outflow represents simply a bookkeeping operation of earmarking and crediting to the account of other nations.

These nations are mostly Latin-American republics whose balance of trade with the United States is now favorable to them.

Wholesale Commodity Index Advanced 0.2% During Week Ended Dec. 4, Labor Dept. Reports

The U. S. Department of Labor announced on Dec. 9 that the Bureau of Labor Statistics' index of commodity prices in primary markets rose 0.2% during the week ended Dec. 4, led by higher prices for livestock, hides and coal. The advance brought the all-commodity index to 102.8% of the 1926 average. Notwithstanding the increase, average prices for these commodities are slightly below the early November level and 2.7% higher than at this time last year.

The Department's announcement further said:

"**Farm Products and Foods**—Average prices for farm products in primary markets roes 0.5% during the week largely because of a 2.9% advance in prices for livestock. Quotations were higher for cattle, hogs, sheep and for live poultry in the Chicago market. Prices were also higher for hay, eggs and for milk in the Chicago market. Most grains declined, ranging from less than one-half of 1% for wheat and barley to 5% for oats. Prices for cotton, apples, citrus fruits, onions and for potatoes in most markets (except Portland, Oregon) declined.

"Largely because of lower markets for fruits and vegetables and for rye flour, prices for foods fell 0.2%. Prices moved higher for milk and eggs in some cities.

"**Industrial Commodities**—Office of Price Administration action in allowing higher ceiling prices for coal and coke to compensate for increased production costs with more overtime brought the index for fuel and lighting materials up 0.5%. Following the sharp decline which began in October, prices for sheepskins reacted during the week ended Dec. 4 and caused the index for hides and leather products to rise 0.5%. Higher prices were reported for radiation. Quotations were lower for rosin, turpentine and shellac. Prices for some types of pine lumber advanced fractionally while others declined."

The following notation is made:

"During the period of rapid change caused by price controls, materials allocation and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports."

The following table shows index numbers for the principal groups of commodities for the past three weeks, for Nov. 6, 1943 and Dec. 5, 1942, and the percentage changes from a week ago, a month ago and a year ago:

(1926=100)

						Percentage changes to Dec. 4, 1943 from—		
Commodity groups—	12-4 1943	11-27 1943	11-20 1943	11-6 1943	12-5 1942	11-27 1943	11-6 1943	12-5 1942
All commodities	*102.8	*102.6	*102.6	*102.9	100.1	+0.2	—0.1	+ 2.7
Farm products	121.8	121.2	121.2	122.8	110.6	+0.5	—0.8	+10.1
Foods	105.6	105.8	105.6	105.7	103.3	—0.2	—0.1	+ 2.2
Hides and leather products	117.5	116.9	118.4	118.4	118.4	+0.5	—0.8	— 0.8
Textile products	97.2	97.2	97.2	97.2	96.6	0	0	+ 0.6
Fuel and lighting materials	82.1	81.7	81.6	81.6	79.8	+0.5	+0.6	+ 2.9
Metals and metal products	*103.9	*103.8	*103.8	*103.8	103.9	+0.1	+0.1	0
Building materials	113.1	113.0	113.0	113.0	110.0	+0.1	+0.1	+ 2.8
Chemicals and allied products	100.4	100.4	100.4	100.4	99.6	0	0	+ 0.8
Housefurnishing goods	104.2	104.2	104.2	104.2	104.1	0	0	+ 0.1
Miscellaneous commodities	93.0	93.0	93.0	92.9	90.0	0	+0.1	+ 3.3
Raw materials	111.7	111.1	111.3	112.1	103.7	+0.5	—0.4	+ 7.7
Semimanufactured articles	92.9	92.9	92.9	92.9	92.5	0	0	+ 0.4
Manufactured products	*100.4	*100.3	*100.3	*100.3	99.7	+0.1	+0.1	+ 0.7
All commodities other than farm products	*98.7	*98.6	*98.6	*98.6	97.8	+0.1	+0.1	+ 0.9
All commodities other than farm products and foods	*97.6	*97.5	*97.5	*97.5	96.1	+0.1	+0.1	+ 1.6

*Preliminary.

Civil Engineering Construction $34,652,000 For Week; Private Work Gains Over Last Week

Civil engineering construction volume in continental United States totals $34,652,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 34% below last week and 59% lower than the total reported to "Engineering News-Record" for the corresponding week last year. The report made public on Dec. 9 added:

Private construction tops the preceding week by 108%, and is 430% above the 1942 week. Public construction, however, is 58% under a week ago, and down 77% from a year ago.

The current week's construction brings 1943 volume to $2,972,217,000, an average of $60,657,000 for each of the 49 weeks of the period. On the weekly average basis, 1943 construction is 67% below the $9,120,618,000 for the 50-week 1942 period. Private construction, $474.066,000, is 12% lower than last year, and public construction, $2,498,151,000, is down 70% when adjusted for the difference in the number of weeks.

Civil engineering construction volumes for the 1942 week, last week, and the current week are:

	Dec. 10, 1942	Dec. 2, 1943	Dec. 9, 1943
Total U. S. construction	$85,268,000	$52,181,000	$34,652,000
Private construction	3,058,000	7,787,000	16,180,000
Public construction	82,210,000	44,394,000	18,472,000
State and municipal	2,387,000	3,814,000	1,209,000
Federal	19,823,000	40,580,000	17,263,000

In the classified construction groups, gains over last week are in industrial and commercial buildings. Increases over the 1942 week are in bridges and industrial and commercial buildings. Subtotals for the week in each class of construction are: waterworks, $525.000; sewerage, $337,000; bridges, $923,000; industrial buildings, $10,260,000; commercial buildings, $5,790,000, and public buildings, $8,547,000; earthwork and drainage, $93,000; streets and roads, $1,166,000, and unclassified construction, $7,011,000.

New capital for construction purposes for the week totals $931,000, and is made up entirely of State and municipal bond sales. New construction financing for the 49 weeks of 1943, $3,067,283,000, is 69% below the $10,211,597,000 reported for the 50-week 1942 period.

National Fertilizer Association Commodity Price Index Declines Fractionally

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Dec. 13 declined to 135.0 in the week ending Dec. 11 from 135.2 in the preceding week. A month ago this index stood at 134.8 and a year ago at 130.6, based on the 1935-1939 average as 100. The Association's report added:

The all-commodity price index noted a slight recession due primarily to lower quotations in the foods and farm products groups. Potatoes and eggs were lower in the foods group while reduced prices for wheat, eggs, cattle, heavy hogs, and poultry caused a decline in the farm products group. The only prices to rise in this group were barley, rye, and cotton. The textiles group advanced fractionally as cotton noted a slight upward trend. The fuels group advanced almost 1%, reachiing a new level for this year. This was due to higher quotations for anthracite coal. Tennessee phosphate rock advanced slightly causing a fractional rise in the prosphates group but not sufficient to change the index number for total fertilizer materials. The all-commodity index is 0.2% higher than a month ago and 4.0% higher than a year ago.

During the week 3 price series advanced and 8 declined, the same as in the preceding week. In the second preceding week there were 10 advances and 5 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Dec. 11, 1943	Preceding Week Dec. 4, 1943	Month Ago Nov. 13, 1943	Year Ago Dec. 12, 1942
25.3	Foods	140.1	140.6	139.9	134.3
	Fats and Oils	145.6	145.6	146.1	148.8
	Cottonseed Oil	159.6	159.6	161.3	164.7
23.0	Farm Products	151.4	152.9	151.7	143.6
	Cotton	185.6	185.0	186.8	186.3
	Grains	162.5	162.5	157.7	123.2
	Livestock	142.3	144.8	143.8	141.3
17.3	Fuels	123.7	122.8	122.8	119.3
10.8	Miscellaneous commodities	131.4	131.4	131.4	129.1
8.2	Textiles	149.7	149.6	149.9	148.9
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.4	152.4	152.4	151.4
1.3	Chemicals and drugs	127.7	127.7	127.7	127.6
.3	Fertilizer materials	117.7	117.7	117.7	117.5
.3	Fertilizers	119.8	119.8	119.8	115.3
.3	Farm machinery	104.2	104.2	104.2	104.1
100.0	All groups combined	135.0	135.2	134.8	131.0

*Indexes on 1926-1928 base were: Dec. 11, 1943, 105.2; Dec. 4, 105.3; and Dec. 12, 1942, 102.0.

Non-Ferrous Metals – Quicksilver Declines—Antimony Released From Allocations Jan. 1

Editor's Note—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Dec. 9, stated: "Evidence of an easier supply situation in metals is accumulating. During the last week, WPB announced that antimony is to be freed from allocation beginning with 1944. A movement is on foot to release molybdenum from allocation. Buyers of quicksilver showed comparatively little interest in acquiring the metal for use next year, and the price situation continues easy. The New York market for quicksilver dropped $2 per flask. Producers believe that the emergency stockpiles in copper and zinc will increase at a higher rate from now on unless some way can be found to divert larger tonnages for civilian consumption." The publication further went on to say in part as follows:

Copper

Excepting that consumers are expected to ask for less copper in January, the industry sees little that is new in the general situation. A cutback in brass production and uncertainty in reference to cancellation of contracts tend to make for a more cautious attitude among fabricators.

During the last week it was announced that the first of the new units at Phelps Dodge's Morenci property started operating Dec. 1. The additional facilities were financed by the Government.

Lead

Books were opened by producers for January shipment lead and sales improved appreciably. The tonnage sold during the last week exceeded the preceding seven-day period by 42%. There were no price developments.

In commenting on the recent meeting of the advisory group, WPB states that production of lead from domestic mines promises to decline in 1944, owing to labor shortages, but every effort will be made to maintain present production. Domestic mine output accounts for about 40% of total consumption, with the deficit made up from imports and secondary lead. Imports may increase somewhat during the coming year, but recovery of secondary lead is likely to be hampered by labor shortages. A certain degree of control is to be maintained to balance supply and demand.

Zinc

With the war program likely to absorb less zinc after the turn of the year, owing to a scheduled reduction in brass production, the industry looks for the stockpile to grow steadily unless civilian consumption is increased. Whether production will be permitted to decline to offset a contraction in demand depends largely on the Government's views of over-all supply situation, continuation of premium payments, imports and manpower problems, trade authorities believe.

Tin

Exports of tin concentrates from Bolivia have been holding at about the same rate as in 1942, with Patino accounting for roughly one-half of the tonnage shipped. The tin content of concentrates exported during the first 10 months of 1943, with comparable figures for 1942, in metric tons, was as follows:

	Jan.-Oct. 1942	Jan.-Oct. 1943
Patino	15,837	16,743
Other producers	17,450	16,452
Totals	33,287	33,195

Straits quality ton for shipment, in cents per pound, follows:

	Dec.	Jan.	Feb.
Dec. 2	52.000	52.000	52.000
Dec. 3	52.000	52.000	52.000
Dec. 4	52.000	52.000	52.000
Dec. 6	52.000	52.000	52.000
Dec. 7	52.000	52.000	52.000
Dec. 8	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125¢ per pound.

Antimony

The position of antimony has eased sufficiently to release the metal from allocation, effective Jan. 1. An amended order (M-112) provides that deliveries of antimony may be made by any person without specific authorization from WPB. However, quarterly reports will be required to permit the Board to observe the position of the metal.

OPA established a base ceiling price of 14½¢ per pound for 99 to 99.8% antimony, to simplify price control in this field by translating the existing "freeze date" ceiling prices into a regulation covering the metal. OPA left undisturbed the customary practice of selling on the basis of Laredo, Texas, plus freight. The price order, effective Dec. 9, leaves quotations unchanged.

A ceiling of 15¢ per pound is set for 99.8% and higher grades of antimony with maximum arsenic content of not more than 0.05% and no other single impurity to be in excess of 0.1%.

Antimony metal that does not meet the standards for 99% and higher grades is to be sold on the basis of 13¼¢ per pound of antimony.

Producers or producers' agents may add one-quarter cent a pound for amounts from 10,000 pounds up to a carload lot; one-half cent a pound for 224 pounds to 10,000 pounds, and 2¢ a pound for amounts less than 224 pounds.

Quicksilver

Quicksilver for immediate delivery was offered in New York at $190 per flask, a reduction of $2. Prices named during the last week ranged from $190 to $193 per flask, depending on quantity involved. Until more is known on probable demands for early next year, most buyers are limiting purchases to a minimum. Unless consumption continues at a high rate, production of quicksilver will have to be reduced sharply in 1944 to maintain prices, trade authorities contend.

Silver

During the last week the silver market in London has been quiet and unchanged at 23½d. The New York Official for foreign silver was unchanged at 44¾¢.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Calif. Business Declines

Business activity in California in October, as measured by the business index compiled by the Wells Fargo Bank & Union Trust Co. of San Francisco, showed a slight recession from the high level of September. The Bank's October Index, graphed in its current "Business Outlook" was 251.6% of the 1935-39 average as compared with a revised figure of 255.1% in September and 214.1% in October a year ago.

Department store dollar volume in the state in October was 14% greater in October, 1942, according to the index which reports year-to-date sales up 21%. In the same period, inventories were down 4%. Newspaper advertising lineage in four major California cities showed an increase of 18% over October a year ago and a gain of 23% for the January-October period.

Egypt Will Adhere To Atlantic Charter

The Egyptian Government's decision to adhere to the terms of the Atlantic Charter and to proceed with negotiations leading to Egypt's inclusion among the United Nations was recently announced by Premier Mustafa Nahas Pasha.

Daily Average Crude Oil Production For Week Ended Dec. 4, 1943 Declined 29,400 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Dec. 4, 1943 was 4,384,250 barrels, a decrease of 29,400 barrels per day from the preceding week, and 40,850 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of December, 1943. The current figure, however, was 550,000 barrels per day in excess of production in the week ended Dec. 5, 1942. Daily output for the four weeks ended Dec. 4, 1943 averaged 4,412,200 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,331,000 barrels of crude oil daily and produced 13,325,000 barrels of gasoline; 1,455,000 barrels of kerosine; 4,714,000 barrels of distillate fuel oil, and 8,348,000 barrels of residual fuel oil during the week ended Dec. 4, 1943; and had in storage at the end of that week 71,040,000 barrels of gasoline; 10,889,000 barrels of kerosine; 45,357,000 barrels of distillate fuel, and 61,603,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations December	*State Allowables Begin. Dec. 1,	Actual Production Week Ended Dec. 4, 1943	Actual Production Change from Previous Week	4 Weeks Ended Dec. 4, 1943	Week Ended Dec. 5, 1942
Oklahoma	330,000	315,000	†322,600	— 3,200	325,700	363,950
Kansas	285,000	269,800	†267,100	— 6,100	277,650	285,950
Nebraska	1,500	----	†1,700	----	1,700	3,000
Panhandle Texas			90,600	+ 5,100	86,750	92,200
North Texas			143,200	+ 1,300	142,250	135,550
West Texas			356,950	— 2,800	359,050	208,900
East Central Texas			133,650	— 9,300	138,150	99,600
East Texas			369,500	— 6,900	374,650	357,500
Southwest Texas			293,200	— 4,900	296,850	174,200
Coastal Texas			521,100	— 3,500	523,750	312,900
Total Texas	1,892,000	‡1,888,938	1,908,200	—21,000	1,921,450	1,380,850
North Louisiana			78,700	— 100	78,750	92,750
Coastal Louisiana			274,100	+ 1,900	272,650	223,700
Total Louisiana	353,700	375,700	352,800	+ 1,800	351,400	316,450
Arkansas	76,900	77,891	79,400	+ 950	78,700	74,000
Mississippi	48,000		49,650	----	49,650	62,500
Illinois	215,000		221,850	+ 3,750	217,700	246,900
Indiana	14,400		12,700	— 800	12,950	16,100
Eastern— (Not incl. Ill., Ind. and Ky.)	77,000		70,050	+ 200	70,500	68,750
Kentucky	25,500		23,950	— 600	23,550	20,200
Michigan	57,000		50,100	— 3,650	53,650	59,100
Wyoming	100,000		102,550	— 300	101,800	91,950
Montana	23,500		21,300	----	21,300	22,600
Colorado	7,000		7,100	— 250	7,300	6,750
New Mexico	110,600	110,600	112,900	----	112,800	95,800
Total East of Calif.	3,617,100		3,603,950	—29,200	3,627,800	3,114,850
California	808,000	§808,000	780,300	— 200	784,400	719,400
Total United States	4,425,100		4,384,250	—29.400	4,412,200	3,834,250

*P.A.W. recommendations and state allowables, as shown above, represent the production of Crude Oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Dec. 2, 1943.

‡This is the net basic allowable as of Dec. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 12 days, the entire state was ordered shut down for 9 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 9 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED DEC. 4, 1943

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,444	88.7	2,205	90.2	6,558	32,427	23,067	18,195
Appalachian—								
District No. 1	130	83.9	97	74.6	303	1,614	1,001	149
District No. 2	47	87.2	47	100.0	147	1,086	90	170
Ind., Ill., Ky.	824	85.2	787	95.5	2,575	13,653	6,399	2,845
Okla., Kans., Mo.	416	80.1	342	82.2	1,252	7,045	2,293	1,085
Rocky Mountain—								
District No. 3	8	26.9	9	112.5	31	66	22	36
District No. 4	141	58.3	87	61.7	336	1,225	416	732
California	817	89.9	757	92.7	2,123	13,924	12,069	38,391
Tot. U. S. B. of M. basis Dec. 4, 1943	4,827	86.4	4,331	89.7	13,325	†71,040	45,357	61,603
Tot. U. S. B. of M. basis Nov. 27 1943	4,827	86.4	4,261	88.3	12,638	69,980	46,187	62,143
U. S. Bur. of Mines basis Dec. 5, 1942			3,744		11,040	71,872	49,273	75,980

*At the request of the Petroleum Administration for War. †Finished, 60,863,000 barrels; unfinished, 10,177,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,455,000 barrels of kerosine, 4,714,000 barrels of gas oil and distillate fuel oil and 8,348,000 barrels of residual fuel oil produced during the week ended Dec. 4, 1943, which compares with 1,417,000 barrels, 4,379,000 barrels and 8,633,000 barrels, respectively, in the preceding week and 1,265,000 barrels, 4,088,000 barrels and 7,246,000 barrels, respectively, in the week ended Dec. 5, 1942.

Notes.—Stocks of kerosine at Dec. 4, 1943 amounted to 10,889,000 barrels, as against 11,257,000 barrels a week earlier and 12,299,000 barrels a year before.

District No. 1 inventory indices are: Gasoline, 41.3%; kerosine, 49.4%; gas oil, 66.6%, and residual fuel oil, 75.9% of normal.

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Dcc. 4, 1943 is estimated at 12,650,000 net tons, an increase of 200,000 tons over the Thanksgiving week preceding, and compares with 12,700,000 tons produced in the week ended Nov. 20, 1943. Output of soft coal in the week ended Dec. 5, 1942 amounted to 11,331,000 tons. Production for the current year to date was 0.4% in excess of that for the corresponding period last year.

The U. S. Bureau of Mines estimated that the total output of Pennsylvania authracite for the week ended Dec. 4, 1943 was 1,231,000 tons, a decrease of 30,000 tons (2.4%) from the preceding week. When compared with the production in the corresponding week of 1942 there was, however, an increase of 123,000 tons, or 11.1%. The calendar year to date shows a decrease of 0.7% when compared with the same period last year.

The Bureau of Mines also reported that the estimated output of by-product coke in the United States for the week ended Dec. 4, 1943 showed an increase of 13,400 tons when compared with the production for the week ended Nov. 27, 1943. The quantity of coke from beehive ovens increased 2,200 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL
(In Net Tons—000 Omitted.)

Bituminous coal and lignite—	Week Ended Dec. 4, 1943	Week Ended Nov. 27, 1943	Week Ended Dec. 5, 1942	January 1 to Date *Dec. 4, 1943	January 1 to Date Dec. 5, 1942	January 1 to Date Dec. 4, 1937
Total, incl. mine fuel	12,650	12,450	11,331	541,670	539,681	413,465
Daily average	2,108	†2,147	1,889	1,885	1,899	1,456

*Subject to current adjustment. †Average based on 5.8 days. Nov. 25, Thanksgiving Day, weighted as 0.8 of a normal working day.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended §Dec. 4, 1943	Week Ended ¶Nov. 27, 1943	Week Ended Dec. 5, 1942	Cal. Year to Date Dec. 4, 1943	Cal. Year to Date Dec. 5, 1942	Cal. Year to Date Dec. 7, 1929
Penn. anthracite—						
*Total incl. coll. fuel	1,231,000	1,261,000	1,108,000	56,168,000	56,571,000	68,300,000
†Commercial production	1,182,000	1,211,000	1,064,000	53,921,000	54,308,000	63,382,000
By-product coke—						
United States total	1,264,200	1,250,800	1,205,700	58,792,800	57,767,800	‡
Beehive coke—						
United States total	173,800	171,600	161,100	7,395,100	7,719,300	6,195,000

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State	Week Ended Nov. 27, 1943	Week Ended Nov. 20, 1943	Week Ended Nov. 28, 1942	Week Ended Nov. 29, 1941	Week Ended Nov. 27, 1937	Nov. average ¶1923
Alabama	426	410	328	341	210	409
Alaska	5	5	6	5	2	**
Arkansas and Oklahoma	104	86	85	86	91	100
Colorado	174	179	167	199	177	236
Georgia and North Carolina	1	1	1	1	1	**
Illinois	1,514	1,620	1,182	1,316	1,120	1,571
Indiana	572	608	495	597	362	536
Iowa	45	50	72	80	96	128
Kansas and Missouri	207	193	158	164	149	175
Kentucky—Eastern	1,004	960	922	932	568	724
Kentucky—Western	298	308	252	257	178	218
Maryland	31	35	28	41	30	35
Michigan	2	3	6	7	12	26
Montana (bituminous and lignite)	108	134	92	92	80	83
New Mexico	39	37	34	30	29	62
North and South Dakota (lignite)	87	76	75	83	73	**35
Ohio	647	713	612	708	433	764
Pennsylvania (bituminous)	2,915	2,973	2,566	2,651	1,525	2,993
Tennessee	155	142	134	145	102	117
Texas (bituminous and lignite)	5	6	9	7	17	29
Utah	143	146	125	115	69	112
Virginia	432	428	382	417	227	217
Washington	40	26	37	41	40	72
*West Virginia—Southern	2,375	2,344	2,134	2,288	1,377	1,271
†West Virginia—Northern	926	1,002	777	910	418	776
Wyoming	194	214	187	182	134	184
‡Other Western States	1	1	††	††	††	**5
Total bituminous and lignite	12,450	12,700	10,866	11,695	7,520	10,878
§Pennsylvania anthracite	1,261	1,207	1,163	838	957	1,896
Total all coal	13,711	13,907	12,029	12,533	8,477	12,774

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "Other Western States." ††Less than 1,000 tons.

October Hotel Sales Higher

The December issue of "The Horwath Hotel Accountant," monthly bulletin published by Horwath & Horwath, New York public accountants, reports that all increases in total sales over the same month of last year fall decidedly short both of those in September and the average gains for the year to date. The only figure which does measure up is the percentage of occupancy; the country-wide average for October was 86% while that for the 10 months is 84%. The publication adds:

"The increase in total sales was 19% compared with one of 26% the month before and an average of 30% for the year to date. And none of the cities or sections matched its September sales improvements over last year in any respect except Chicago, which had a larger increase in beverage sales, and cleveland, which had a bidder one in room sales this month and the same increase in food sales. Actually there is one decline from last year in our October tabulation, and actually it is in the national capital—2% in room sales; minus signs have been completely absent for some time."

OCTOBER, 1943, COMPARED WITH OCTOBER, 1942

	Sales, Increase or Decrease Total*	Rooms	Total Restaurant	Food	Beverages	Occupancy Oct. 1943	Occupancy Oct. 1942	Room Rate† Increase or Decr.
New York City	+23%	+21%	+24%	+27%	+19%	89%	82%	+11%
Chicago	+17	+11	+25	+23	+29	87	85	+ 8
Philadelphia	+29	+23	+36	+38	+32	91	83	+12
Washington	+ 4	— 2	+ 7	+ 5	+15	91	94	+ 1
Cleveland	+18	+24	+13	+13	+14	90	80	+10
Detroit	+10	+ 4	+18	+21	+12	91	90	+ 3
Pacific Coast	+21	+22	+20	+ 7	+55	92	84	+11
Texas	+16	+12	+21	+20	+29	87	81	+ 4
All Others	+19	+11	+26	+25	+28	84	78	+ 3
Total	+19%	+14%	+24%	+22%	+29%	86%	80%	+ 6%
Year to Date	+30%	+24%	+35%	+33%	+38%	84%	73%	+ 7%

†The term "rates" wherever used refers to the average sales per occupied room and not to scheduled rates. *Rooms and restaurant only.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Dec. 13 a summary for the week ended Dec. 4 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Dec. 4, 1943

	Total for Week
Odd-Lot Sales by Dealers: (Customers' purchases)	
Number of orders	16,664
Number of shares	458,895
Dollar value	17,708,126
Odd-Lot Purchases by Dealers— (Customers' Sales)	
Number of Orders:	
Customers' short sales	305
*Customers' other sales	16,328
Customers' total sales	16,633
Number of Shares:	
Customers' short sales	8,548
*Customers' other sales	423,595
Customers' total sales	432,143
Dollar value	14,445,273
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	20
†Other sales	104,630
Total sales	104,650
Round-Lot Purchases by Dealers—	
Number of shares	146,790

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

NYSE Short Interest Higher On Nov. 30

The New York Stock Exchange announced on Dec. 9 that the short interest as of the close of business on the Nov. 30 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 760,166 shares, compared with 729,291 shares on Oct. 29, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Nov. 30 settlement date, the total short interest in all odd-lot dealers' accounts was 42,864 shares, compared with 27,449 shares on Oct. 29.

The Exchange's announcement further said:

Of the 1,235 individual stock issues listed on the Exchange on Nov. 30, there were 42 issues in which a short interest of more than 5,000 shares existed, or in which a change in the short position of more than 2,000 shares occurred during the month.

The number of issues in which a short interest was reported as of Nov. 30, exclusive of odd-lot dealers' short positions, was 585, compared with 593 on Oct. 29.

In the following tabulation is shown the short interest existing at the close of the last business day for each month of the present year:

1943—	Shares
Jan. 29	579,394
Feb. 26	663,750
Mar. 31	774,871
April 30	882,376
May 28	980,047
June 30	879,575
July 30	836,764
Aug. 31	801,321
Sept. 30	761,827
Oct. 29	729,291
Nov. 30	760,166

Revenue Freight Car Loadings During Week Ended Dec. 4, 1943 Increased 42,677 Cars

Loading of revenue freight for the week ended Dec. 4, 1943, totaled 862,759 cars, the Association of American Railroads announced on Dec. 9. This was an increase above the corresponding week of 1942 of 103,028 cars, or 13.6%, and an increase over the same week in 1941 of 29,384 cars or 3.5%.

Loading of revenue freight for the week of Dec. 4, increased 42,677 cars, or 5.2% over the preceding week.

Miscellaneous freight loading totaled 392,933 cars, an increase of 24,515 cars above the preceding week, and an increase of 25,929 cars above the corresponding week in 1942.

Loading of merchandise less than carload lot freight totaled 105,940 cars, an increase of 9,817 cars above the preceding week, and an increase of 16,789 cars above the corresponding week in 1942.

Coal loading amounted to 185,844 cars, an increase of 4,032 cars above the preceding week and an increase of 24,393 cars above the corresponding week in 1942.

Grain and grain products loading totaled 56,351 cars an increase of 5,462 cars above the preceding week and an increase of 12,073 cars above the corresponding week in 1942. In the Western Districts alone, grain and grain products loading for the week of Dec. 4, totaled 37,631 cars, an increase of 4,859 cars above the preceding week and an increase of 7,283 cars above the corresponding week in 1942.

Live stock loading amounted to 19,750 cars, an increase of 3,709 cars above the preceding week, and an increase of 1,437 cars above the corresponding week in 1942. In the Western Districts alone loading of live stock for the week of Dec. 4 totaled 14,881 cars, an increase of 2,712 cars above the preceding week, and an increase of 1,039 cars above the corresponding week in 1942.

Forest products loading totaled 46,043 cars, an increase of 4,138 cars above the preceding week and an increase of 6,982 cars above the corresponding week in 1942.

Ore loading amounted to 40,743 cars, a decrease of 8,909 cars below the preceding week but an increase of 14,520 cars above the corresponding week in 1942.

Coke loading amounted to 15,155 cars, a decrease of 87 cars below the preceding week, but an increase of 905 cars above the corresponding week in 1942.

All districts reported increases compared with the corresponding week in 1942. All districts reported increases compared with 1941 except the Eastern.

	1943	1942	1941
5 weeks of January	3,530,849	3,858,479	3,454,409
4 weeks of February	3,055,640	3,122,942	2,866,565
4 weeks of March	3,073,426	3,174,781	3,066,011
4 weeks of April	3,136,253	3,350,996	2,793,630
5 weeks of May	4,149,708	4,170,548	4,160,060
4 weeks of June	3,151,146	3,385,655	3,510.057
5 weeks of July	4,307,406	4,185,135	4,295,457
4 weeks of August	3,554,446	3,487,905	3,581,350
4 weeks of September	3,545,823	3,503,383	3,540,210
5 weeks of October	4,518,244	4,511,609	4,553,007
4 weeks of November	3,304,776	3,236,584	3,423,038
Week of December 4	862,759	759,731	833,375
Total	40,190,476	40,747,748	40,077,169

The following table is a summary of the freight carloading for the separate railroads and systems for the week ended Dec. 4, 1943. During this period 96 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS)WEEK ENDED DEC. 4

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1943	1942	1941	1943	1942
Eastern District—					
Ann Arbor	266	299	631	1,563	1,172
Bangor & Aroostook	2,527	1,719	1,497	252	168
Boston & Maine	7,040	5,788	8,618	15,919	13,588
Chicago, Indianapolis & Louisville	1,464	1,370	1,586	2,208	1,983
Central Indiana	35	20	27	47	47
Central Vermont	1,081	938	1,363	3,127	2,009
Delaware & Hudson	5,870	5,923	5,513	12,536	10,943
Delaware, Lackawanna & Western	8,151	6,757	8,955	10,532	8,794
Detroit & Mackinac	233	397	483	101	137
Detroit, Toledo & Ironton	2,138	1,456	2,537	1,583	1,233
Detroit & Toledo Shore Line	322	283	349	3,806	3,037
Erie	12,713	10,706	14,315	19,194	15,148
Grand Trunk Western	3,820	3,928	5,897	8,787	7,257
Lehigh & Hudson River	176	196	227	2,614	2,280
Lehigh & New England	1,906	1,724	1,811	1,581	1,684
Lehigh Valley	9,447	7,840	8,221	13,683	12,013
Maine Central	2,328	2,003	3,030	3,954	3,079
Monongahela	6,006	5,877	6,128	433	339
Montour	2,613	2,165	1,746	9	17
New York Central Lines	50,882	42,966	50,277	59,742	50,173
N. Y., N. H. & Hartford	10,549	9,117	12,332	20,441	15,824
New York, Ontario & Western	1,131	819	1,017	2,774	2,222
New York, Chicago & St. Louis	6,822	6,678	6,745	16,512	15,190
N. Y., Susquehanna & Western	629	448	565	2,404	1,753
Pittsburgh & Lake Erie	7,718	7,008	8,751	7,831	7,754
Pere Marquette	5,090	4,792	6,804	8,357	5,879
Pittsburg & Shawmut	809	496	510	17	12
Pittsburg, Shawmut & North	287	280	362	291	184
Pittsburgh & West Virginia	1,142	821	940	2,934	2,186
Rutland	414	327	580	1,069	824
Wabash	6,475	5,581	6,207	11,724	12,174
Wheeling & Lake Erie	5,045	4,510	4,625	4,528	4,013
Total	165,129	143,232	172,649	240,553	203,116
Allegheny District—					
Akron, Canton & Youngstown	812	655	679	1,410	1,104
Baltimore & Ohio	43,321	35,363	39,300	29,606	24,972
Bessemer & Lake Erie	4,511	5,047	5,571	1,592	1,888
Buffalo Creek & Gauley	*396	297	303	*2	3
Cambria & Indiana	1,678	1,740	1,884	6	7
Central R. R. of New Jersey	7,641	6,696	7,260	20,926	18,182
Cornwall	612	613	567	64	48
Cumberland & Pennsylvania	253	217	346	9	7
Ligonier Valley	175	129	130	31	65
Long Island	1,346	1,179	813	3,229	2,903
Penn-Reading Seashore Lines	1,776	1,884	1,666	2,803	2,007
Pennsylvania System	82,415	68,438	83,384	63,977	55,807
Reading Co.	15,179	13,928	15,228	29,114	24,998
Union (Pittsburgh)	19,994	19,832	19,202	6,394	6,338
Western Maryland	4,392	3,669	4,444	13,549	11,009
Total	184,501	159,687	180,777	172,712	149,338
Pocahontas District—					
Chesapeake & Ohio	29,921	26,246	27,615	13,155	11,182
Norfolk & Western	23,980	21,069	23,782	7,271	6,277
Virginian	5,028	4,549	4,623	2,569	2,219
Total	58,929	51,864	56,020	22,995	19,678
Southern District—					
Alabama, Tennessee & Northern	287	354	356	333	232
Atl. & W. P.—W. R. R. of Ala.	816	679	879	3,251	2,715
Atlanta, Birmingham & Coast	737	680	796	1,391	1,472
Atlantic Coast Line	13,520	13,614	11,478	11,675	10,289
Central of Georgia	3,802	3,994	4,411	4,458	4,624
Charleston & Western Carolina	390	420	451	1,903	1,360
Clinchfield	1,704	1,549	1,802	3,123	2,924
Columbus & Greenville	274	411	281	248	470
Durham & Southern	117	109	183	741	351
Florida East Coast	2,482	1,766	952	1,355	1,518
Gainesville Midland	46	50	37	96	94
Georgia	1,291	1,217	1,564	3,142	2,499
Georgia & Florida	461	360	427	591	552
Gulf, Mobile & Ohio	4,398	4,040	4,311	4,165	4,944
Illinois Central System	29,300	26,205	26,958	16,432	15,577
Louisville & Nashville	25,767	23,328	24,104	12,564	11,029
Macon, Dublin & Savannah	196	220	182	904	866
Mississippi Central	361	310	137	560	566
Nashville, Chattanooga & St. L.	3,635	2,882	3,452	4,946	4,342
Norfolk Southern	1,088	1,083	1,350	1,896	1,443
Piedmont Northern	450	372	554	1,512	1,280
Richmond, Fred. & Potomac	434	393	451	10,730	10,028
Seaboard Air Line	11,172	10,675	11,453	9,771	8,304
Southern System	23,843	21,108	24,897	25,729	23,210
Tennessee Central	521	409	577	1,273	904
Winston-Salem Southbound	159	114	148	966	837
Total	127,251	116,342	122,191	123,755	112,430
Northwestern District—					
Chicago & North Western	16,073	14,384	18,427	14,561	13,095
Chicago Great Western	2,765	2,330	2,783	3,381	2,937
Chicago, Milw., St. P. & Pac.	22,394	19,237	22,556	10,228	8,994
Chicago, St. Paul, Minn. & Omaha	3,947	3,789	4,475	3,733	3,537
Duluth, Missabe & Iron Range	18,426	6,473	12,625	206	268
Duluth, South Shore & Atlantic	715	523	724	513	570
Elgin, Joliet & Eastern	8,241	7,652	10,861	11,264	9,975
Ft. Dodge, Des Moines & South	390	410	568	132	105
Great Northern	16,431	13,393	15,620	5,350	5,145
Green Bay & Western	550	486	530	790	758
Lake Superior & Ishpeming	773	209	706	68	51
Minneapolis & St. Louis	2,168	1,924	1,989	2,379	2,033
Minn., St. Paul & S. S. M.	6,135	4,758	6,066	2,950	2,802
Northern Pacific	12,023	10,512	11,813	5,251	4,613
Spokane International	117	122	82	688	522
Spokane, Portland & Seattle	2,390	1,815	2,227	3,395	3,148
Total	113,538	88,017	112,052	64,889	58,553
Central Western District—					
Atch., Top. & Santa Fe System	24,416	22,694	23,745	12,133	11,666
Alton	3,254	2,916	3,322	4,174	4,262
Bingham & Garfield	550	603	533	83	114
Chicago, Burlington & Quincy	21,220	18,657	18,845	12,972	10,297
Chicago & Illinois Midland	2,757	2,490	2,672	994	670
Chicago, Rock Island & Pacific	12,521	11,982	13,038	11,402	11,130
Chicago & Eastern Illinois	2,944	2,378	2,809	6,526	3,299
Colorado & Southern	1,192	1,263	1,183	2,087	1,826
Denver & Rio Grande Western	4,425	5,271	3,890	6,119	5,654
Denver & Salt Lake	776	774	682	18	9
Fort Worth & Denver City	880	1,031	1,573	1,551	1,170
Illinois Terminal	2,059	1,507	2,033	1,882	1,204
Missouri-Illinois	1,168	1,049	1,165	536	391
Nevada Northern	1,774	2,052	2,023	123	114
North Western Pacific	930	994	869	758	583
Peoria & Pekin Union	14	32	22	0	0
Southern Pacific (Pacific)	30,989	29,195	26,717	14,270	12,000
Toledo, Peoria & Western	406	272	438	1,828	1,341
Union Pacific System	19,301	18,060	18,413	18,552	14,273
Utah	703	618	513	11	1
Western Pacific	2,444	2,735	2,142	4,407	3,342
Total	135,223	126,573	126,627	100,426	83,346
Southwestern District—					
Burlington-Rock Island	249	166	172	166	226
Gulf Coast Lines	7,141	5,568	4,037	2,728	2,243
International-Great Northern	2,421	3,327	1,845	3,987	2,942
Kansas, Oklahoma & Gulf	265	338	314	1,304	1,185
Kansas City Southern	5,237	4,560	2,750	2,815	2,554
Louisiana & Arkansas	3,426	3,342	2,718	2,820	2,409
Litchfield & Madison	392	304	335	1,237	944
Midland Valley	638	819	670	284	274
Missouri & Arkansas	226	188	210	449	376
Missouri-Kansas-Texas Lines	5,850	6,172	4,959	5,991	4,961
Missouri Pacific	19,182	17,056	17,467	20,677	17,709
Quanah Acme & Pacific	85	104	166	167	210
St. Louis-San Francisco	9,211	9,388	9,697	8,276	8,225
St. Louis Southwestern	3,261	2,880	3,487	7,665	5,022
Texas & New Orleans	14,392	14,414	8,592	5,255	4,699
Texas & Pacific	6,108	5,279	5,465	7,150	7,586
Wichita Falls & Southern	80	91	141	128	30
Weatherford M. W. & N. W.	24	20	34	21	22
Total	78,183	74,016	63,059	71,120	61,617

*Previous week's figure.

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
Sept. 4	177,766	150,943	598,255	97	93
Sept. 11	121,125	126,427	589,323	83	93
Sept. 18	153,708	157,082	583,714	98	93
Sept. 25	144,100	151,725	558,633	96	93
Oct. 2	164,954	152,479	579,800	97	93
Oct. 9	156,808	148,574	589,417	94	93
Oct. 16	156,044	148,293	595,257	95	93
Oct. 23	144,254	147,883	588,399	94	93
Oct. 30	144,413	143,686	587,324	93	93
Nov. 6	172,441	147,467	608,782	93	93
Nov. 13	153,126	149,295	608,893	95	93
Nov. 20	126,726	146,286	587,715	94	93
Nov. 27	134,959	142,136	578,434	91	93
Dec. 4	177,664	149,803	602,789	95	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Allies And Turkey Reaffirm Friendship

A three-day conference between President Roosevelt, Prime Minister Churchill and President Ismet Inonu of Turkey was held in Cairo, Egypt on Dec. 4, 5 and 6 at which the general political situation was reviewed and the traditional friendly relations between the three powers were reaffirmed. According to the communique issued on Dec. 7, the talks, held at the invitation of the United States, British and Soviet Governments, noted the closest unity existing between these powers and Turkey and stated that the conversations have been "most useful and most fruitful for future relations." It was reported that the Soviet Ambassador to Ankara was present throughout the conversations.

The text of the communique follows according to Associated Press Cairo advices:

Mr. Roosevelt, President of the United States of America; Mr. Ismet Inonu, President of the Turkish Republic, and Mr. Winston Churchill, Prime Minister of the United Kingdom, met in Cairo on Dec. 4, 5 and 6, 1943.

Mr. Anthony Eden, His Majesty's principal Secretary of State for Foreign Affairs; Mr. Numan Menemencioglu, Minister of Foreign Affairs of Turkey, and Mr. Harry Hopkins took part in their deliberations.

Participation in this conference of the head of the Turkish state, in response to the cordial invitation addresed to him by the United States, British and Soviet governments, bears striking testimony to the strength of the alliance which unites Great Britain and Turkey, and to the firm friendship existing between the Turkish people and the United States of America and the Soviet Union.

President Roosevelt and Inonu and Prime Minister Churchill reviewed the general political situation and examined at length the policy to be followed, taking into account the joint and several interests of the three countries.

The study of all problems in a spirit of understanding and loyalty showed that the closest unity existed between the United States of America, Turkey and Great Britain in their attitude to the world situation.

The conversations in Cairo have consequently been most useful and most fruitful for future relations between the four countries concerned.

The identity of interests and of views of the great American and British democracies with those of the Soviet Union, as also the traditional relations of friendship existing between these powers and Turkey, have been reaffirmed throughout the proceedings of the Cairo conference.

Lumber Movement—Week Ended Dec. 4, 1943

According to the National Lumber Manufacturers Association, lumber shipments of 464 mills reporting to the National Lumber Trade Barometer were 4.0% above production for the week ended Dec. 4, 1943. In the same week new orders of these mills were 13.1% less than production. Unfilled order files in the reporting mills amounted to 94% of stocks. For reporting softwood mills, unfilled orders are equivalent to 37 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 7.3%; orders by 7.7%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 38.7% greater; shipments were 40.6% greater; and orders were 9.7% greater.

Items About Banks, Trust Companies

Gordon S. Rentschler, Chairman of the Board of The National City Bank of New York, announced on Dec. 14 that the directors had voted to increase the surplus of the bank by $25,000,000 by the transfer of $17,500,000 from unallocated reserves and $7,500,000 from undivided profits account. After this transfer the capital stands unchanged at $77,500,000, surplus at $110,000,000, undivided profits account at about $23,000,000, and there will still remain unallocated reserve values of approximately $40,000,000. This, it is pointed out, is the second change in the surplus account of The National City Bank this year. On June 9 the board authorized the addition of $7,500,000 to the account, increasing it from $77,500,000 to $85,000,000; this was referred to in our issue of June 17, page 2298.

Frank K. Houston, President of the Chemical Bank & Trust Co., New York City, announces that the Board of Directors on Dec. 9 declared the regular quarterly dividend of 45 cents per share on the capital stock of the bank, payable Jan. 3 to stockholders of record Dec. 15. The directors also approved the payment of a bonus on annual salaries to all officers and employees, amounting to 5% on the first $5,000, with an additional 3½% on the next $5,000, and an additional 2% on all salaries above $10,000. This payment will also be made to officers and employees in military service. The Chemical Bank has paid a Christmas bonus continuously each year, with one exception, since 1870.

At a meeting of the Board of Directors of the Bank of the Manhattan Company, New York City, held Dec. 7, a quarterly dividend at the rate of 20 cents a share and a special dividend at the rate of 10 cents a share on the capital stock of the company were declared, both payable Jan. 3, to stockholders of record on Dec. 16. The transfer books will not be closed.

These are the 332nd and 333rd dividends paid by the Bank of the Manhattan Co. since its organization in 1799.

The annual report to the stockholders by J. Stewart Baker, Chairman of the Board, was referred to in these columns on Dec. 9, page 2313.

At a regular meeting of the Board of Trustees of Central Hanover Bank and Trust Company of New York held on Dec. 7 the following appointments were confirmed: Assistant Secretaries—William B. Nauts, Lloyd P. Roberts; Assistant Treasurers—Francis J. Henkel, James J. Shannon, George A. Wolf; Assistant Manager Foreign Dept.—William A. Johnston.

At the annual meeting of stockholders of the Commercial National Bank and Trust Co. of New York, to be held on Jan. 11, stockholders will be asked to take action upon a proposal to change the present par value of the capital stock of $100 per share to $20 per share. There are at present 70,000 shares outstanding, which will become 350,000 shares. This proposed change in par value will not, it is announced, affect the capital account of the bank, which at the last published statement, Oct. 18, 1943, showed capital of $7,000,000, surplus of $7,000,000 and undivided profits of $3,047,000.

Harry E. Ward, Chairman of the Board of Irving Trust Company of New York, announced on Dec. 10 the appointment of Kenneth M. McGhee as Assistant Secretary of the Company. Mr. McGhee is a graduate of the University of Minnesota and the Wharton School of Finance and Commerce, of the University of Pennsylvania. He is stationed at the Irving's 48th Street office, 48th Street at Rockefeller Plaza.

Arthur S. Kleeman, President of Colonial Trust Company of New York, announces the election of Frederick H. Zimmer as Vice-President. Mr. Zimmer, who is in charge of the 57 William Street office, joined the bank at its organization in 1929 and has been an Assistant Vice-President since 1941.

R. H. Brownell, Vice-President and Real Estate Officer of the Union Square Savings Bank, New York City, has been elected to the bank's Board of Trustees.

The East River Savings Bank of New York announces that Miss Dorcas Campbell, Director of Public Relations, and the Service Departments, has been appointed an Assistant Secretary of the bank.

Norborne P. Gatling, former Vice-President of the Chatham Phenix National Bank & Trust Co., New York City, died on Dec. 9 at his home in Amherst, Va. He was 74 years old.

Born in Raleigh, N. C., Mr. Gatling began his career in the publishing business in Virginia, later joining the Merchants National Bank of Philadelphia as its Southern representative. He came to New York in 1912 as an Assistant Cashier in the Chatham Phenix National Bank, where he remained until his retirement as Vice-President in 1928.

Checks for an 11th and final liquidating dividend of 6.44% were mailed Dec. 11 to Series II shareholders of Bankers Loan & Investment Co., it is announced by Elliott V. Bell, New York, Superintendent of Banks. In addition, a first and final liquidating dividend of 55.24% is to be distributed to the Series I shareholders of this Association. The Bankers Loan and Investment Co. was closed on April 12, 1933. The announcement states: "The dividends now being distributed represent a payment of approximately $186,230. Including this present dividend, Series II shareholders of the Association have received total dividends of 63.44%, representing a total of $1,828,494.

"There are 8,500 shareholders of the closed Association, but only 5,600 dividend checks are being mailed out, for the present addresses of approximately 3,000 shareholders are unknown to the Banking Department. The total of unclaimed dividends being held for shareholders of the closed Association is now $56,300. Of this amount, $49,873 is represented by 884 items of $10 and over."

In addition to the regular quarterly dividend of 25 cents a share, an extra dividend of 12½ cents a share was declared by the Board of Directors of the County Trust Co., of White Plains, N. Y., at its December meeting. This dividend is payable Jan. 3 to stockholders of record Dec. 16.

The Washington Irving Trust Co., Port Chester, N. Y., has been granted authorization by the State Banking Department to reduce its capital stock from $600,000 to $500,000. The capital will consist of 25,000 shares of common stock having a par value of $20 each, instead of 10,000 shares of common with a par value of $10 and 5,000 shares of preferred stock having a par value of $100.

MacNaughton Miller, Vice-President of the National Commercial Bank and Trust Co., Albany, N. Y., died on Dec. 4 at his home in Albany. Mr. Miller, who was 70 years old, recently celebrated his 50th anniversary in the banking business. He rose from assistant bookkeeper of the National Commercial Bank in 1892 to Vice-President in 1920, a position he held since that time.

The Citizens Bank of Attica, N. Y., has been admitted to membership in the Federal Reserve System, it was announced on Dec. 13 by the Federal Reserve Bank of New York. The new member bank, which was organized in 1911, has total assets in excess of $1,300,000.

The election of George H. Feltner as a member of the Board of Directors of the Farmers National Bank, Hudson, N. Y., was announced on Dec. 6.

Dexter P. Rumsey, President of the Erie County Savings Bank, Buffalo, N. Y., announces the election of Reginald B. Taylor and Daniel W. Streeter as Trustees of the bank. Mr. Taylor is Vice-President and Assistant Treasurer of the Sterling Engine Co., and Mr. Streeter is President of the Buffalo Civil Service Commission.

William S. Innis, First Vice-President of the Rhode Island Hospital Trust Co., and the Rhode Island Hospital National Bank, Providence, died on Dec. 2 in that city. He was 51 years old.

A special meeting of stockholders of the First National Bank of Roselle, N. J., will be held on Dec. 27 for the purpose of voting on a proposal to pay a 100% stock dividend, raising the bank's capital stock from $100,000 to $200,000. John Dalrymple, President of the bank, said the dividend would be paid out of undivided profits.

The Long Branch Banking Co., Long Branch, N. J., has joined the Federal Reserve System, it was announced on Dec. 7 by the Federal Reserve Bank of New York. The bank was organized in 1872 and on June 30 had total deposits of $4,300,000. Walton Sherman is President.

Shareholders of the First National Bank of Philadelphia, at the annual meeting on Jan. 11 will vote on a proposal to merge the bank and the First Trust Co. of Philadelphia.

Edward F. Berlinger, President of Quaker City Gear Works, has been elected a director of Northern Trust Co. of Philadelphia.

The First National Bank & Trust Co., Easton, Pa., was closed on Dec. 10 by direction of the Comptroller of the Currency, according to Easton advices to the Philadelphia "Inquirer." Leo T. Crowley, Chairman of the Federal Deposit Insurance Corp., it is stated, announces that depositors whose accounts up to $5,000 are insured by the FDIC, will receive their funds without delay. Deposit liability of the institution, which was founded in 1851, are estimated at over $4,000,000, of which about 90% are fully covered by insurance. Francis B. Kelly of the FDIC has been appointed as liquidator of the bank.

Stockholders of the Security Savings & Commercial Bank, Washington, D. C., approved on Dec. 6 a plan to increase the capital stock from $300,000 to $500,000. F. G. Addison, Jr., President of the bank, explained that when the plan is completed the bank will have capital of $500,000, surplus of $400,000 and undivided profits of about $100,000. The capital stock plan provides for issuing of rights to buy one share of new stock at $150 for each three shares now owned. Plans for this change were noted in our Nov. 25 issue, page 2148.

Julien H. Hill, Chairman of the Board of the State-Planters Bank and Trust Co., Richmond, Va., died on Dec. 1.

The Kirkwood Bank, Kirkwood, Mo., became a member of the Federal Reserve System on Dec. 10, it is announced by the Federal Reserve Bank of St. Louis. The new member, chartered in 1920, has a capital of $100,000, surplus of $20,000, and total resources of $2,509,600. Its President is E. R. Riemeier.

The Security State Bank of Pecos, Texas, was admitted to membership in the Federal Reserve System on Dec. 10.

The Security Trust & Savings Bank of San Diego, Calif., recently observed the 50th anniversary of its founding. The bank operates four branch offices and has deposits in excess of $25,000,000. The bank's history dates back to November, 1893, when the Blochman Banking Co., forerunner of the present institution, was started by Abraham Blochman with a capital of $20,000. The end of the first year of business saw $90,000 on the bank's books—this figure stood at $27,000,000 at the close of business on Nov. 15, 1943.

Only four men have occupied the President's office during the 50-year history of the institution. Mr. Blochman remained as active head until 1912, when his son Lucien bought out his interest and reorganized the company as the Blochman Banking Co., later changed to Security Commercial & Savings Bank. He was President until 1917 when he was succeeded by Willet S. Dorland, who came to the bank as cashier in 1913. Upon Mr. Dorland's retirement, Charles H. Martin, present head, assumed direction in 1927. Mr. Martin, in association with Claus Speckels, Hamilton Lindley and other prominent San Diegans, had purchased the controlling interest in the institution early in February of that year.

According to cable advices received at the office of the New York Agent, Directors of Barclays Bank, Ltd., London, has recommended final dividends of 4% actual on the cumulative preference stock and 3½% actual on the "A" stock and "B" shares, thus making a total distribution for the financial year ending Sept. 30, 1943, of 8% per annum on the preference stock and 6½% per annum on the "A" stock and "B" shares, subject to deduction of British income tax in each case, adjusted in relation to taxes payable in the British territories overseas where the bank operates. The dividends now declared are the same as for the year 1942 and are payable Dec. 30, 1943.

Barclays Bank (Dominion, Colonial and Overseas) operates in South, East and West Africa, Egypt, and The Sudan, Palestine, the Mediterranean and the British West Indies.

From Washington

(Continued from first page)

so. We can leave aside any high-minded objections they had on constitutional grounds and let it go on the grounds that they were fearful, to say the very least, that the next Presidential election was headed for a contest either in the Supreme Court or in the House. They were fearful, too, and justifiably so, that the proposal made for a gigantic stealing of the election. Regardless of their fears, it would seem to an objective observer, that there is certainly an awful mess ahead regardless of how the matter is subsequently worked out, if the millions in the armed forces are to be brought into the campaign. Assuming that Mr. Roosevelt is the New Deal candidate, would the Republican Presidential candidate, and the opponents of the present Congressional incumbents, Democrat or Republican, be permitted to tour the battlefields and tell the soldiers about themselves and what they stand for. Mr. Roosevelt very likely would take off at the last minute for a global inspection trip. Would his rival be permitted to go along with him? Or should there be a gentleman's agreement that everybody stay at home and let the election turn on an "agin" vote. You are either for the incumbents, Presidential and Congressional, or you aren't. Personally, I don't see why the "outs" wouldn't be willing to take it on this basis, but it would be an awful way to have an election.

Briefly, it is difficult to imagine anything more demoralizing to our troops than to throw them into the campaign. It is easy to visualize one candidate making the promise that if he is elected he will vote immediately to bring them home. Stalin had an experience in mixing politics with his troops. They were utterly hamstrung in their earlier Finnish campaign by the activity of the political commissars who went right along with the military officers. Stalin got wise and withdrew the political commissars and his troops have been doing better ever since.

But to get back to the Republican Senators, this writer does not know of a single one who did not intend to vote for the bill after it had been made as near fraud proof as possible. Those that voted against it did so after the insurrection developed on the part of the Southern Democrats.

Out of this the CIO Political Action Committee prepared a speech for Senator Guffey charging there had been an "unholy alliance" of Southern Democrats and Northern Republicans. There is not the slightest base for this charge as a check of the vote will reveal. Nevertheless, the radical commentators and the Communists have jumped to the guns with the Action Committee, which is Communist-tinged and dominated by Eastern European idealogy, and together they are stirring up an awful agitation. The armed forces, from the letters pouring in on the Congressmen, have become excited. There is a strong feeling on Capitol Hill now that, Constitution or no Constitution, demoralization of the troops or no demoralization; the Federal Government must provide a way for the armed forces to vote.

The plain fact is that outside of the Solid South, with one exception, there is no reason why the State Legislatures cannot be called into extra session and take care of the matter. The one exception is Kentucky which would have to amend its Constitution. The soldier vote in the other Southern States would have no effect on the Presidential elections anyway inasmuch as they are conceded to the Democrats, and the Presidential election seems to be all the agitators are concerned about.

But regardless of whether it's done on Constitutional or unconstitutional grounds, if the next campaign is to be carried to the armed forces we are in for an awful mess. It might be noted that there are a lot of veterans of the last war who recall having been "denied their right to vote." Didn't squawk about it either.

Portland (Ore.) Joint Stk. Land Bank Dividend

George B. Guthrie, receiver of the Oregon - Washington Joint Stock Land Bank of Portland, announces that a further dividend equal to 10% of the outstanding principal of farm loan bonds and unmatured interest accrued thereon up to April 30, 1936, has been declared as of the close of business Dec. 1. The dividend, distributed from the proceeds derived from the liquidation of pledged assets of the bank, is payable only to persons who have proved and filed claims against the bank.